

2024 Retirement Plan Survey

Insights into how 401(k) plan sponsors are strengthening their plans and navigating a dynamic retirement benefits landscape.

START



Jeremy France
Head of Institutional Consulting
Solutions

Defined Contribution Insights from Plan Decision-Makers

Retirement benefits are a crucial element of total employee compensation, helping to attract and retain a productive, engaged workforce. As financial markets become increasingly complex, the role of defined contribution (DC) plan sponsors in helping employees prepare for a successful retirement must evolve, too.

At Morgan Stanley, we understand that plan sponsors need information that can help them provide compelling benefit packages to their employees. This effort includes learning about what their peers are thinking and how they are navigating new trends in investment product offerings, advisory models and employee education and engagement.

With that in mind, we surveyed almost 200 401(k) plan sponsors to better understand their goals, concerns and views on what they believe is most important to participants.

We are excited to share the results of this survey and the insights it revealed about sponsors' attitudes toward investment lineups, their interactions with consultants and how they are educating and engaging plan participants.

We welcome the opportunity to discuss how your organization can find new ways to align your retirement plan with the needs of your employees and the opportunities in today's markets.

Thank you,
Jeremy France

Plan Investment Lineup

New products and delivery models create more ways to tailor retirement plans to the needs of today's workforce, including retirement income.

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Consultant Relationships

The increasingly complex investment and regulatory landscape is a catalyst for the continued rise of 3(38) relationships.

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Participant Engagement

Given the multiple ways to achieve retirement goals and more volatile markets, educating and engaging employees are more important than ever.

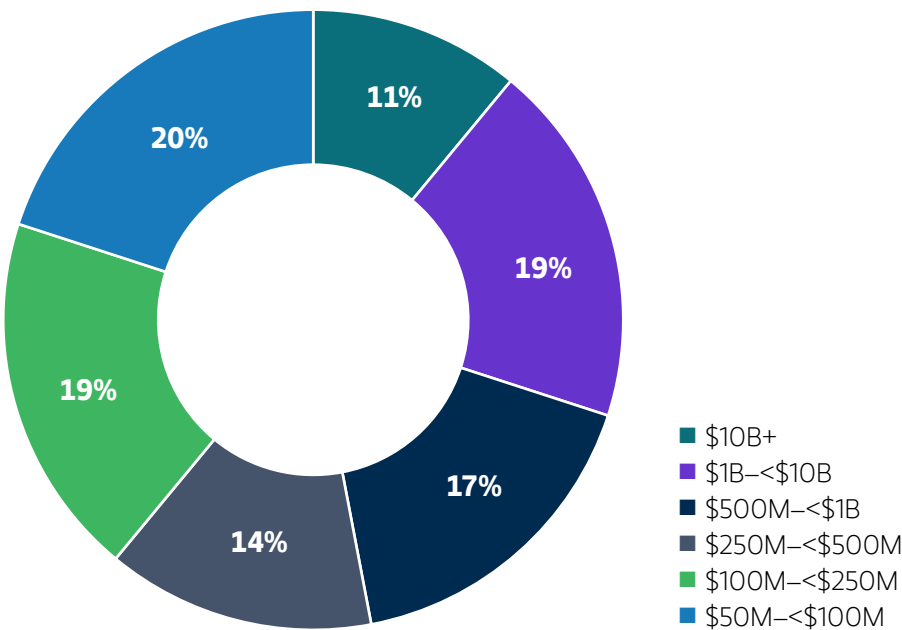
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About the Survey

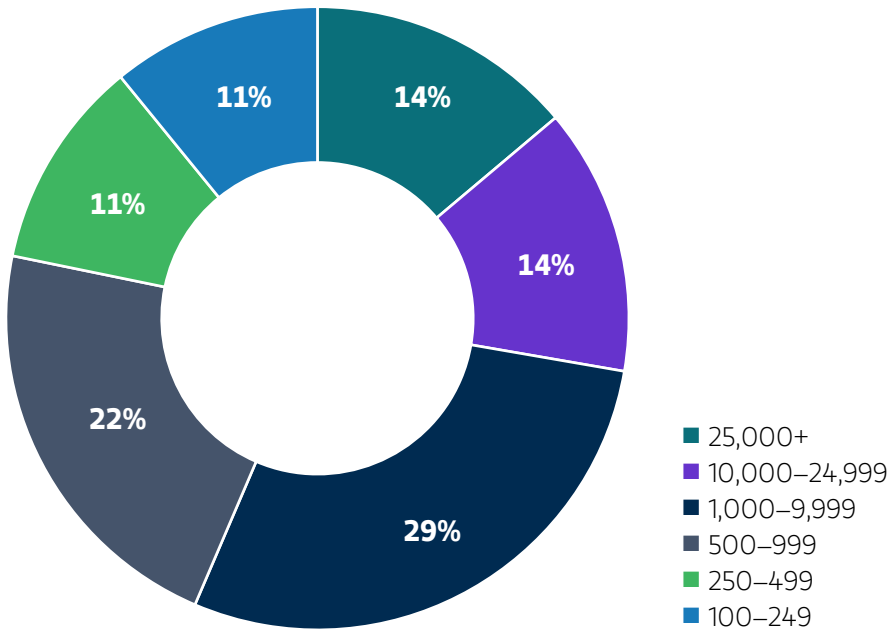
In May 2024, Morgan Stanley sponsored an independent survey of 401(k) decision-makers at 190 plan sponsors.¹ All respondents represented for-profit businesses with at least \$50 million in AUM, with 115 of the respondents representing plans with more than \$250 million, including 56 from organizations with more than \$1 billion.

Respondent Characteristics

Company Plan Assets



Company Number of Employees



Respondent Roles

Respondents primarily comprised lead decision makers and/or those involved in plan investment lineups, employee engagement and education, or plan administration.

¹ The survey was conducted by independent research firm 8 Acre Perspective. Morgan Stanley was not identified as the research sponsor.

Sponsor Attitudes and Plan Design



SPONSOR ATTITUDES AND PLAN DESIGN

Plan Competitiveness Is Sponsors' Top Concern

Not surprisingly, respondents view defined contribution plans and health insurance as the two most critical benefits for employees.

As plans seek to optimize their DC plans for employees, they face several issues. Respondents cited maintaining competitive benefits, fostering employee understanding and fulfilling fiduciary responsibilities as their top concerns.



When it comes to your company's 401(k) retirement plan, what are your main concerns? What (figuratively) keeps you up at night? Rank order up to 5 concerns. (n=190)

Respondents' Top-Ranked Concern for Company's 401(k) Plan



SPONSOR ATTITUDES AND PLAN DESIGN

How Sponsors Measure and Design Plans for Success

Among the ways to measure the success of their plan management, companies primarily look at usage, employee satisfaction and savings rates.

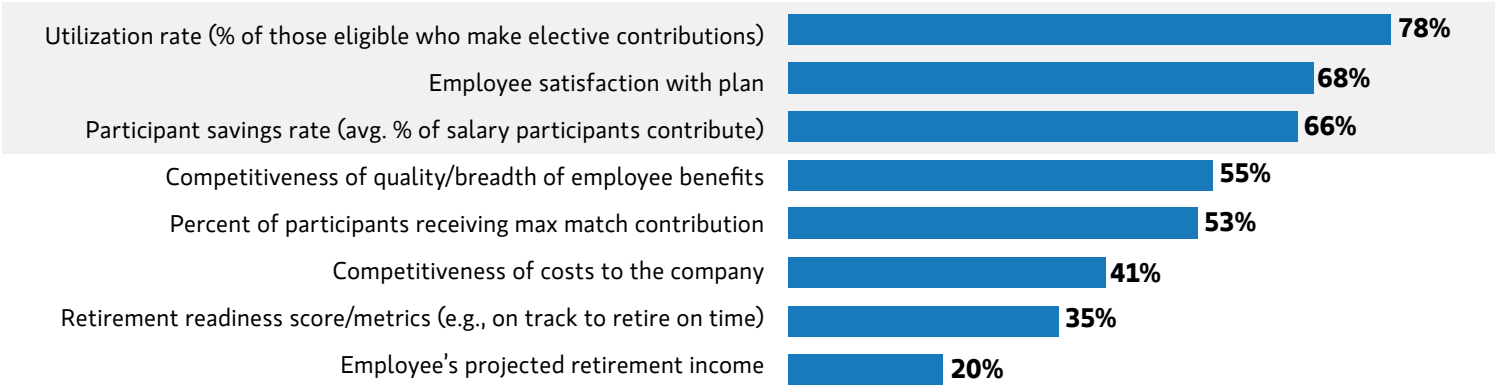
Respondents identified offering a matching contribution as, by far, the most important feature for having a successful plan.

Q How do you measure success for your 401(k) retirement plan? Select all that apply. (n=190)

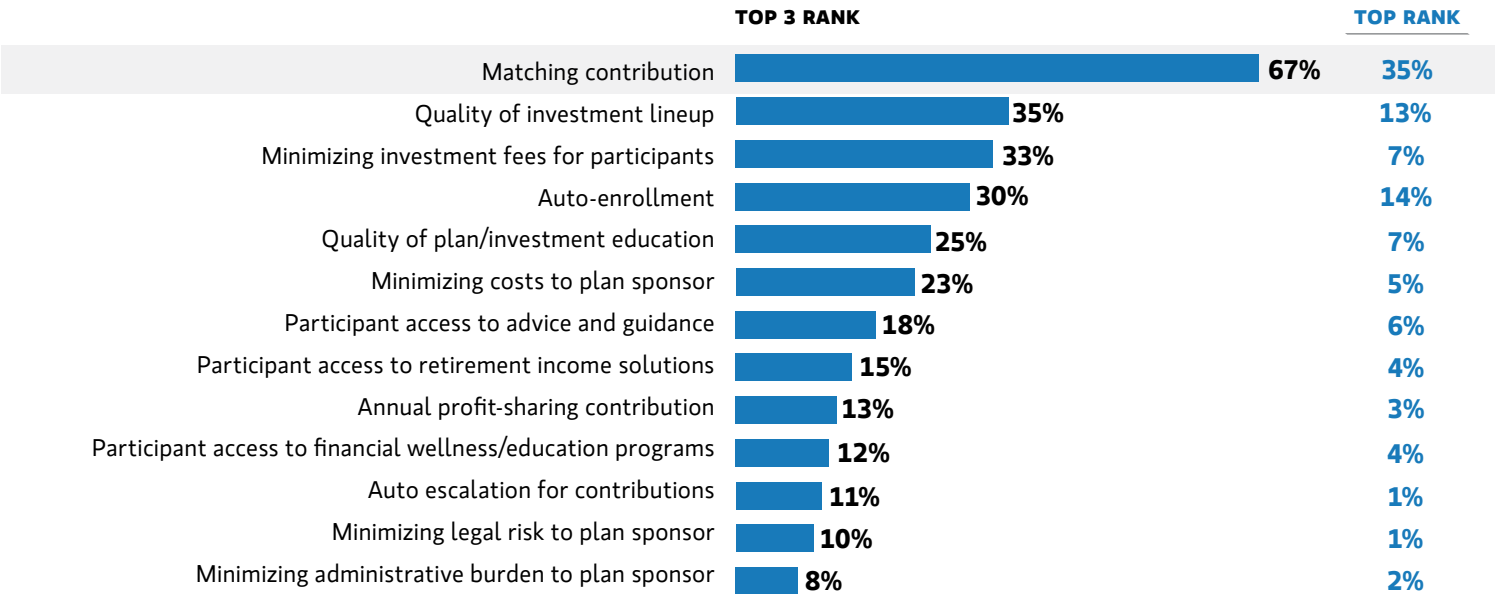
Q What plan design elements do you believe are most important for achieving your 401(k) plan success? Rank order your top three. (n=190)

How Companies Measure 401(k) Plan Success

Mean number selected: 4.2



Importance of Design Elements for Achieving Success

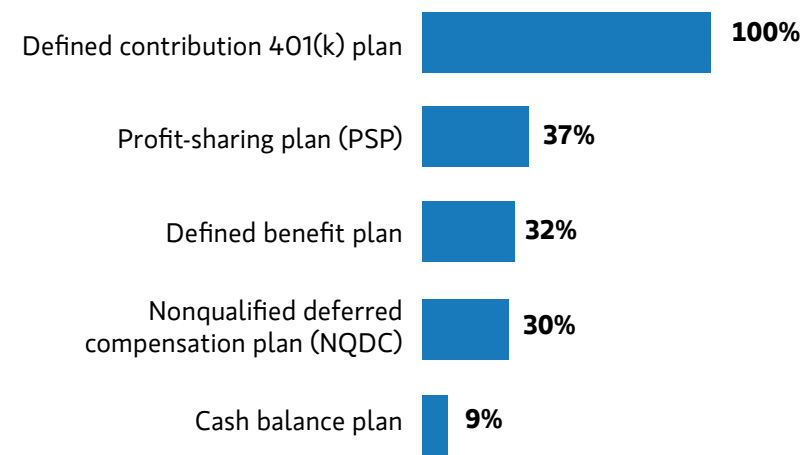


SPONSOR ATTITUDES AND PLAN DESIGN

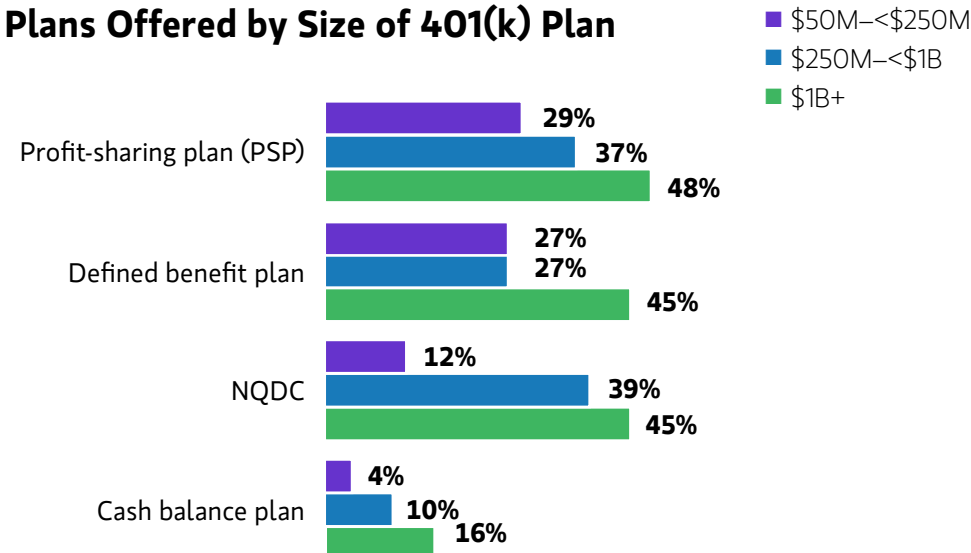
401(k)s Are Not Alone Among Retirement Offerings

On average, 401(k) sponsors also offer one other retirement plan. Larger plans (those with \$1B+ assets) are significantly more likely to offer plans beyond the 401(k) defined contribution plan.

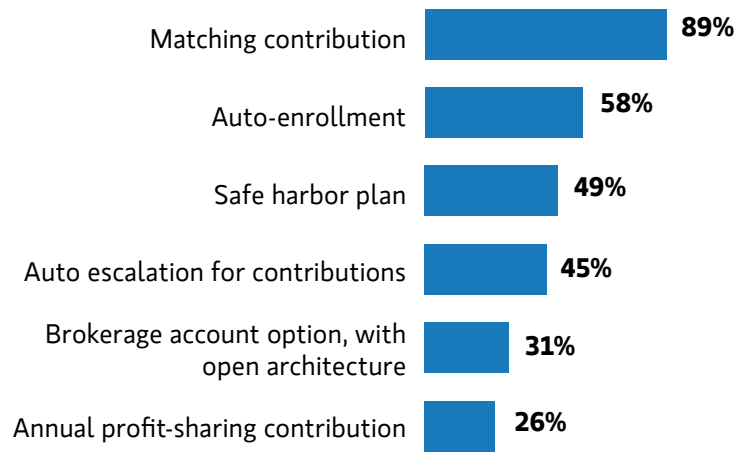
Retirement Plans Offered



Plans Offered by Size of 401(k) Plan



401(k) Plan Features



Q Which of the following retirement plans does your firm offer? Select all that apply. (n=190)

Q Which of the following features are part of your 401(k) retirement plan? Select all that apply. (n=190)

Plan Investment Lineup

New products and delivery models create more ways to tailor retirement plans to the needs of today's workforce, including retirement income.



PLAN INVESTMENT LINEUP

Sponsors Want More Investment Options, but Not More Managers

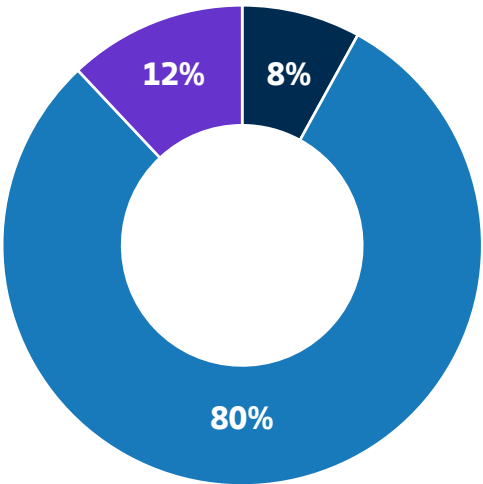
Only 12% of respondents are seeking to increase the number of asset managers they use. Meanwhile, more than one-third of respondents are seeking to increase the number of investment options they offer participants. From a practical perspective, however, expanding the retirement plan lineup can place additional administrative burdens on sponsors.

This dynamic reflects the value of working with asset managers with broad capabilities—and consultants who can guide sponsors through the process of constructing a core lineup that addresses the needs of the entire workforce.

Sponsors seeking to meet the diverse needs of workforce segments should consider adding managed accounts delivered with personalized advice. This approach can be more efficient and effective than simply adding more fund options to the investment lineup.

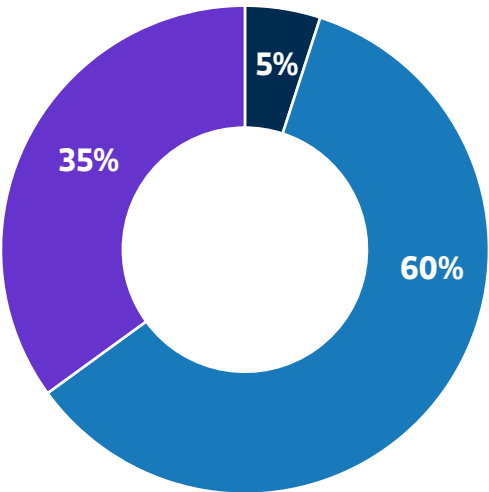
Goals for Number of Asset Managers

- Decrease
- Keep the same
- Increase



Goals for Number of Investment Menu Options

- Decrease
- Keep the same
- Increase



PLAN INVESTMENT LINEUP

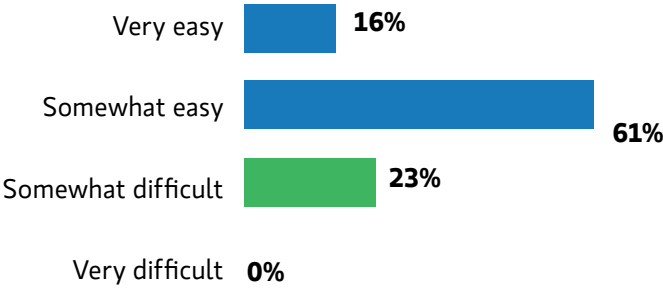
Changing the Investment Lineup Can Present Challenges

About one in four respondents say that it is difficult to make a change to their investment lineup. This highlights the importance of working with a consultant to guide plans through the fund elevation, selection and replacement process for sponsors seeking to strengthen their investment lineup.

Respondents Cited Numerous Factors that Make it Difficult to Change Their 401(k) Lineup:

- Communicating and educating participants on changes
- Regulatory filings
- Cost of moving assets
- Downtime for investment changes creates fiduciary risk
- Gaining consensus across a range of stakeholders
- Deep due diligence required

Ease of Making a Change to 401(k) Plan Investment Lineup



Q Typically, how easy or difficult is it to make a change to the 401(k) plan investment lineup? (n=190)



PLAN INVESTMENT LINEUP

Retirement Income: Will Interest Lead to Action?

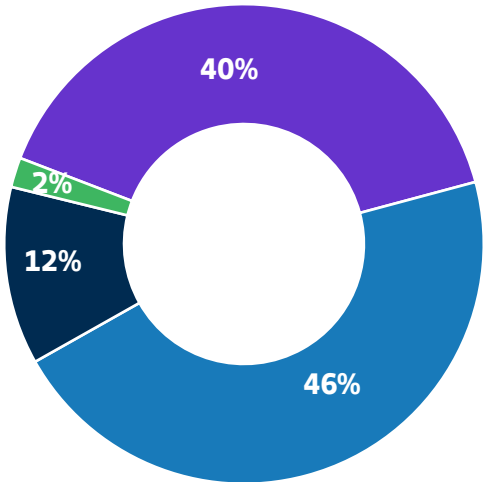
Plan sponsors are broadly aligned on the need for retirement income options to help participants navigate their post-working lives. Nearly nine of 10 respondents said that offering retirement income solutions is either “critical” or “important.” While only 41% of respondents currently offer retirement income, another 44% stated they plan to add a retirement income option.

Some asset managers have reinforced these attitudes recently by raising awareness about the challenges workers face in converting their savings into income streams after they stop working and by introducing new products including annuities or other tools designed to achieve this.

Despite the increased attention retirement income solutions have garnered, don’t assume that this interest will necessarily lead to action. Historically, sponsors have been hesitant to add retirement income solutions to their defined contribution lineups.

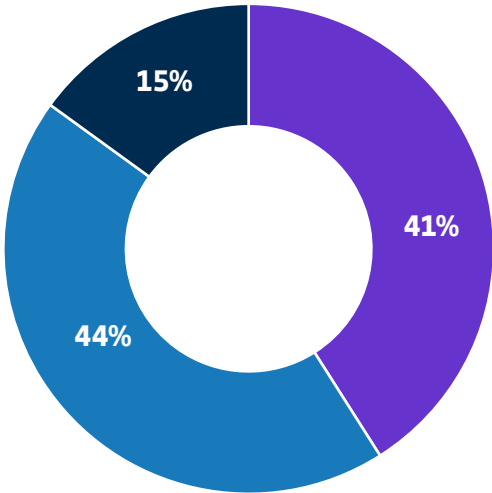
Importance of Offering Retirement Income Solutions

- Critical
- Important
- Nice to offer/not needed
- Not important



401(k) Investment Lineup Includes Retirement Income Solutions

- Yes
- No, but we plan to add
- No, and no plans to add



Q How important do you feel it is to provide retirement income solutions for employees? (n=190)

Q Does your 401(k) plan investment lineup include any retirement income solutions? (n=190)

PLAN INVESTMENT LINEUP

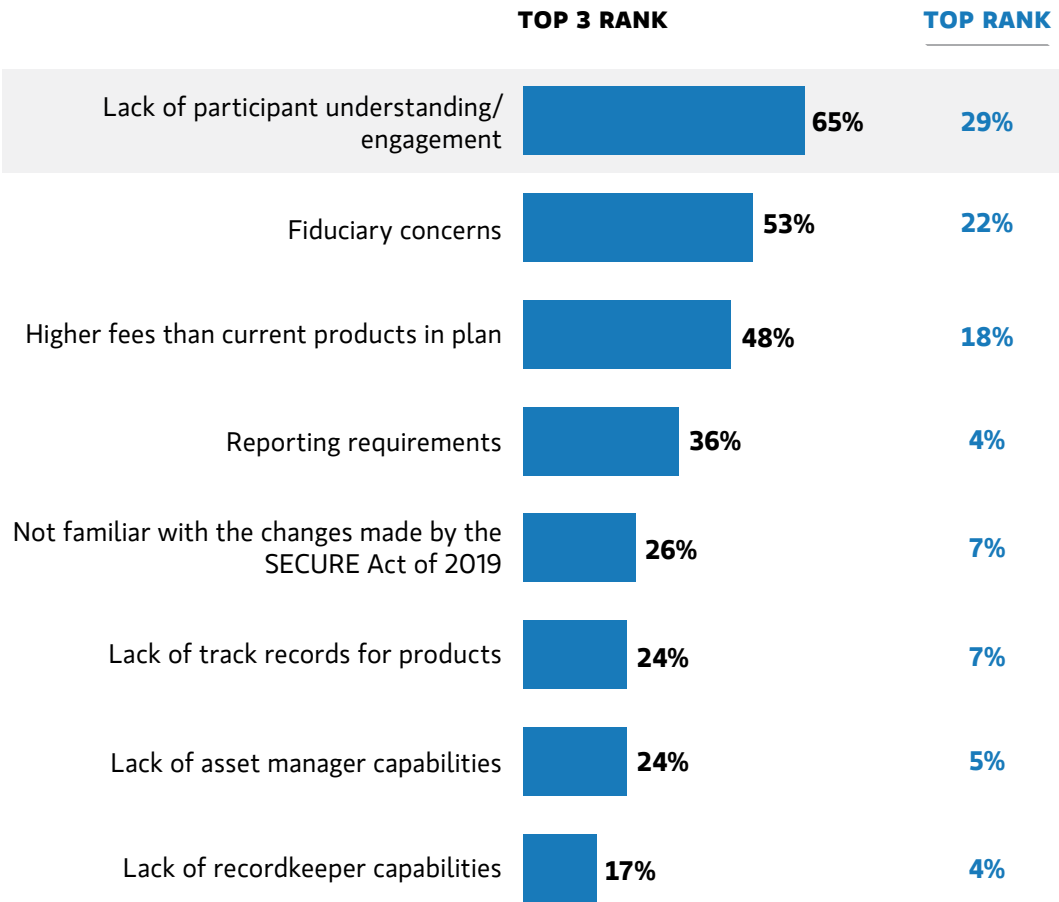
Retirement Income: Education Leads the List of Hurdles

Respondents cited a host of hurdles that may deter them from adding retirement income solutions to their plan lineups, led by a lack of participant understanding and engagement.

This underscores the need for sponsors to provide robust education and engagement resources to support their plans’ retirement income offerings.

Offering participants access to educational materials applies to every part of the plan lineup. But the need is particularly acute for retirement income solutions given how complicated these tools can be and how differently they work from mutual funds, traditional target date funds or other common savings tools.

Hurdles to Considering/Implementing Retirement Income Solutions



Q What are the biggest hurdles to considering/implementing retirement income solutions? Rank order your top 3. (n=190)

PLAN INVESTMENT LINEUP

Retirement Income: Finding the Right Fit

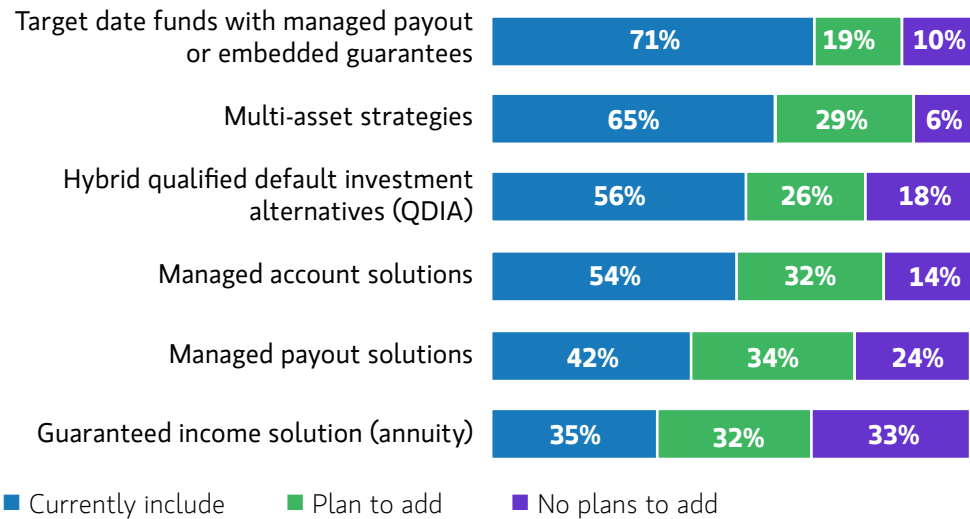
Thanks in part to the changes SECURE Act (2019) and the SECURE 2.0 Act (2022) introduced, a wide—and expanding—variety of retirement income solutions can be included in a defined contribution plan. As these products evolve and improve, sponsors need to understand the technical details of how they work, particularly around features such as portability and whether they incorporate any guaranteed income.

The variety of options, complexity of the underlying vehicles and high degree of product innovation underscore the need to work with a consultant who can guide you through the process of evaluating the options and determining which is the best fit for your plan and your participants.

Regardless of which, if any, retirement income option(s) you add, the focus needs to be on supporting its adoption through education, tools and advice that empowers participants to evaluate and use these offerings.

Retirement Solutions Include or Plan to Add

Currently include retirement income solutions



Learn more

Explore the factors defined contribution plan sponsors should consider when evaluating retirement income options and best practices for educating and engaging participants: [The Three Pillars of an Effective Decumulation Solution](#)

PLAN INVESTMENT LINEUP

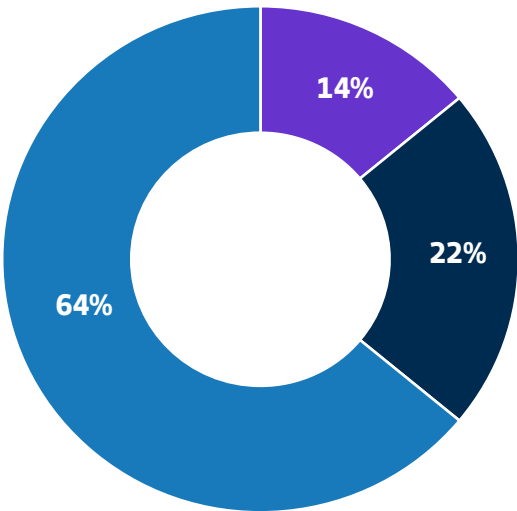
Managed Accounts Are Used Widely

Managed accounts—custom portfolios based on a participant’s profile such as age, account balance, salary, risk tolerance or other factors—are common features of defined contribution plans.

These tools can be an effective way for sponsors to address the diverse needs of different segments of their workforces without drastically expanding the number of funds offered in the plan lineup.

Currently or Plan to Offer Managed Accounts in Investment Lineup

- No, and no plans to add
- No, but we plan to add
- Yes, currently offer



Q Which of the following products/solutions do you currently offer or plan to offer in your 401(k) plan investment lineup? (n=190)



Consultant Relationships

The increasingly complex investment and regulatory landscape is a catalyst for the continued rise of 3(38) relationships.



CONSULTANT RELATIONSHIPS

Consultant Relationships: Trend Toward 3(38) Shows Momentum

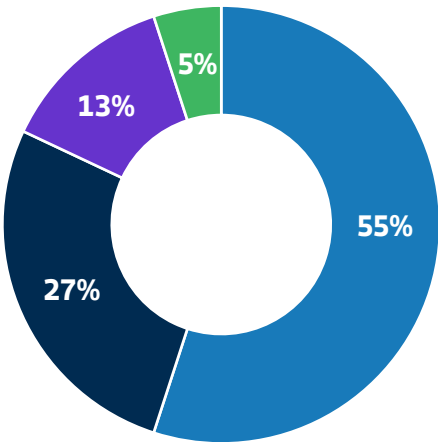
A 3(21) advisor recommends a selection of funds to the plan sponsor, while a 3(38) advisor chooses and manages the fund lineup for the plan sponsor.

More than 80% of respondents are using a consultant, reflecting the need for advice to navigate the increasingly complex retirement benefits landscape.

While 3(21) relationships are still about twice as common as 3(38) relationships, the gap is likely to continue closing. Most 3(38) users have initiated these engagements in the past five years, and about half of the non-3(38) users are considering switching to this type of engagement.

Type of Investment Advisor Used

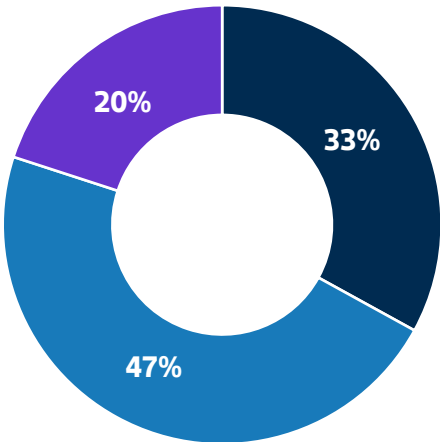
- 3(21) investment advisor
- 3(38) investment advisor
- Neither
- Not sure



When Started Using a 3(38) Advisor

Use 3(38) advisor approach

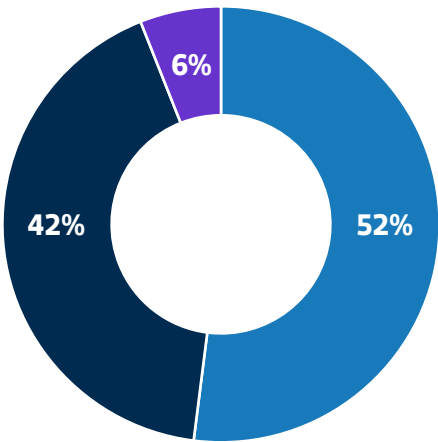
- Within past 2 years
- 2-5 years ago
- More than 5 years ago



Consideration of Using a 3(38) Investment Advisor

Do not have a 3(38) advisor

- Unlikely to consider
- Partially considering
- Highly considering



Which does your firm use, a 3(21) investment advisor or a 3(38) investment manager? (n = 190)



When did you adopt a 3(38) advisor approach? Base: use 3(38) advisor approach. (n = 51)



Are you considering switching/adding a 3(38) investment advisor? Base: Do not have a 3(38) advisor. (n = 129)

CONSULTANT RELATIONSHIPS

Respondents Recognize a Wide Array of 3(38) Benefits

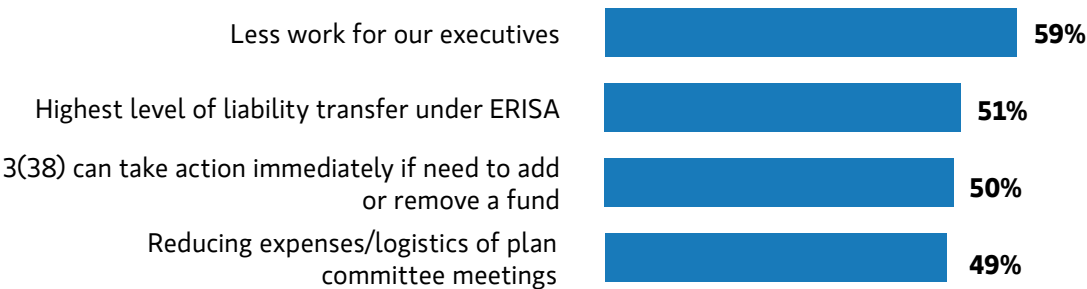
Most 3(38) users appreciate the myriad benefits of these engagements, with reducing the work requirements on sponsors’ executives topping the list.

In a highly dynamic market environment, the ability for a 3(38) to act immediately is especially valuable for sponsors seeking to ensure their lineups reflect current market conditions and opportunities. Given the difficulty of keeping up with Department of Labor regulations, the ability to transfer a higher degree of fiduciary liability to a consultant via a 3(38) engagement is another increasingly valuable feature of this model.

Among those not using a 3(38) or not considering switching to one, contentment with their current approach was by far the top reason cited. Given the momentum around the 3(38) model, however, sponsors may become more aware of the benefits of the more expansive engagement model.

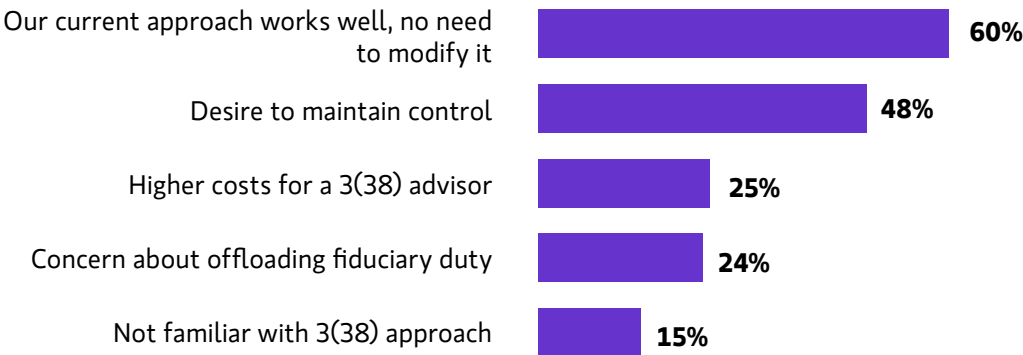
Reasons for Considering a 3(38) Advisor

Among those using or considering a 3(38)



Reasons for Not Considering

Among those not using and not considering a 3(38)



Q What are the reasons you are considering a 3(38) advisor approach? Base: Using or considering a 3(38) (n = 113)

Q What are the reasons you are unlikely to consider a 3(38) advisor approach? Base: Not using or considering a 3(38) (n = 67)

Participant Engagement

Given the multiple ways to achieve retirement goals and more volatile markets, educating and engaging employees are more important than ever.



PARTICIPANT ENGAGEMENT

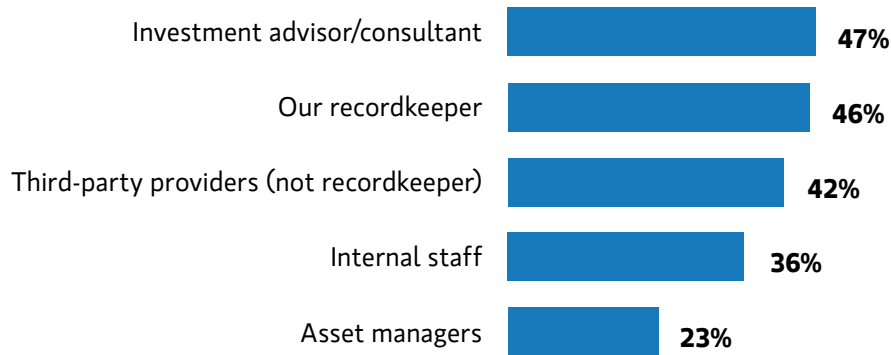
Consultants/Advisors Emerge as a Leading Source of Engagement Resources

Educational materials and other tools to engage participants help contribute to the success of retirement plans, especially when plans look to add new solutions to their lineups.

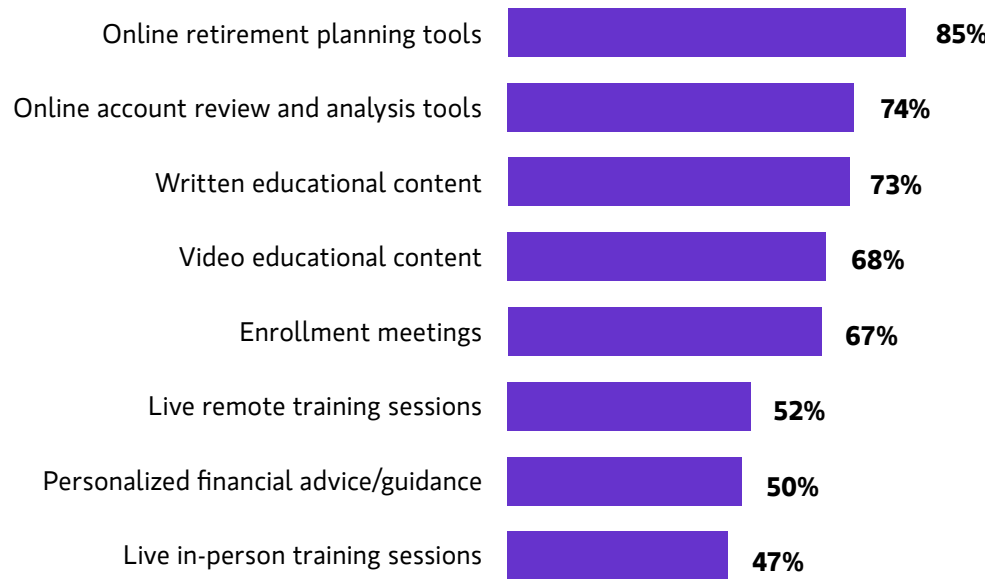
Historically, sponsors have predominantly relied on recordkeepers to provide these tools and resources. But recently, other service providers in the retirement ecosystem have begun offering this content, and today consultants/advisors are the most common source, according to our survey. This trend should continue as leading consultants continue to expand their core offerings to include participant education and engagement resources.

Online training tools are by far the most common form of education and engagement resources, but roughly half of sponsors still offer live training sessions, either virtually or in-person. These resources are vital for sponsors looking to help participants fully benefit from more complex solutions such as retirement income solutions and to offer more opportunities for customization through vehicles such as managed accounts.

Provider of the 401(k) Plan Tools and Resources



401(k) Plan Tools Available to Employees



Q Who provides the 401(k) plan tools and resources for employees? (n=190)

Q What 401(k) plan tools and resources are available to employees? (n=190)

PARTICIPANT ENGAGEMENT

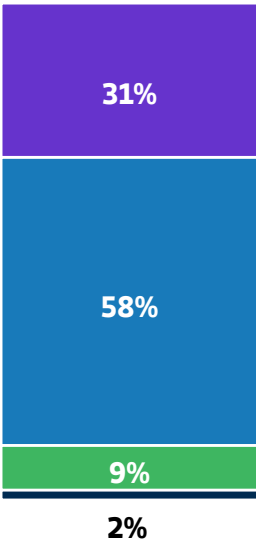
Plans Are Generally Satisfied With Employee Resources, but There Is Room for Improvement

While most respondents are either very or somewhat satisfied with the quality of tools that are available and the degree to which employees use them, significant room for improvement still exists.

Given the importance of these resources, evaluating the depth, relevance and quality of these offerings should be a key part of the due diligence process when vetting consultants and other service providers.

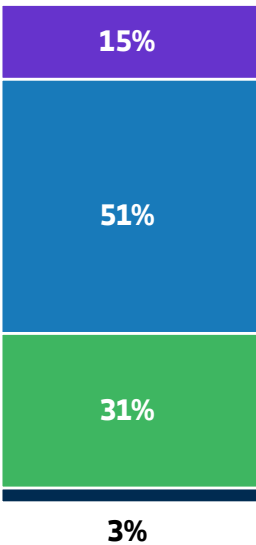
Satisfaction With Quality of Tools and Resources Available to Employees

- Very satisfied
- Somewhat satisfied
- Somewhat dissatisfied
- Very dissatisfied



Satisfaction With Degree to Which Employees Take Advantage of Plan Tools and Resources

- Very satisfied
- Somewhat satisfied
- Somewhat dissatisfied
- Very dissatisfied



Overall, how satisfied are you in the following areas? (n=190)

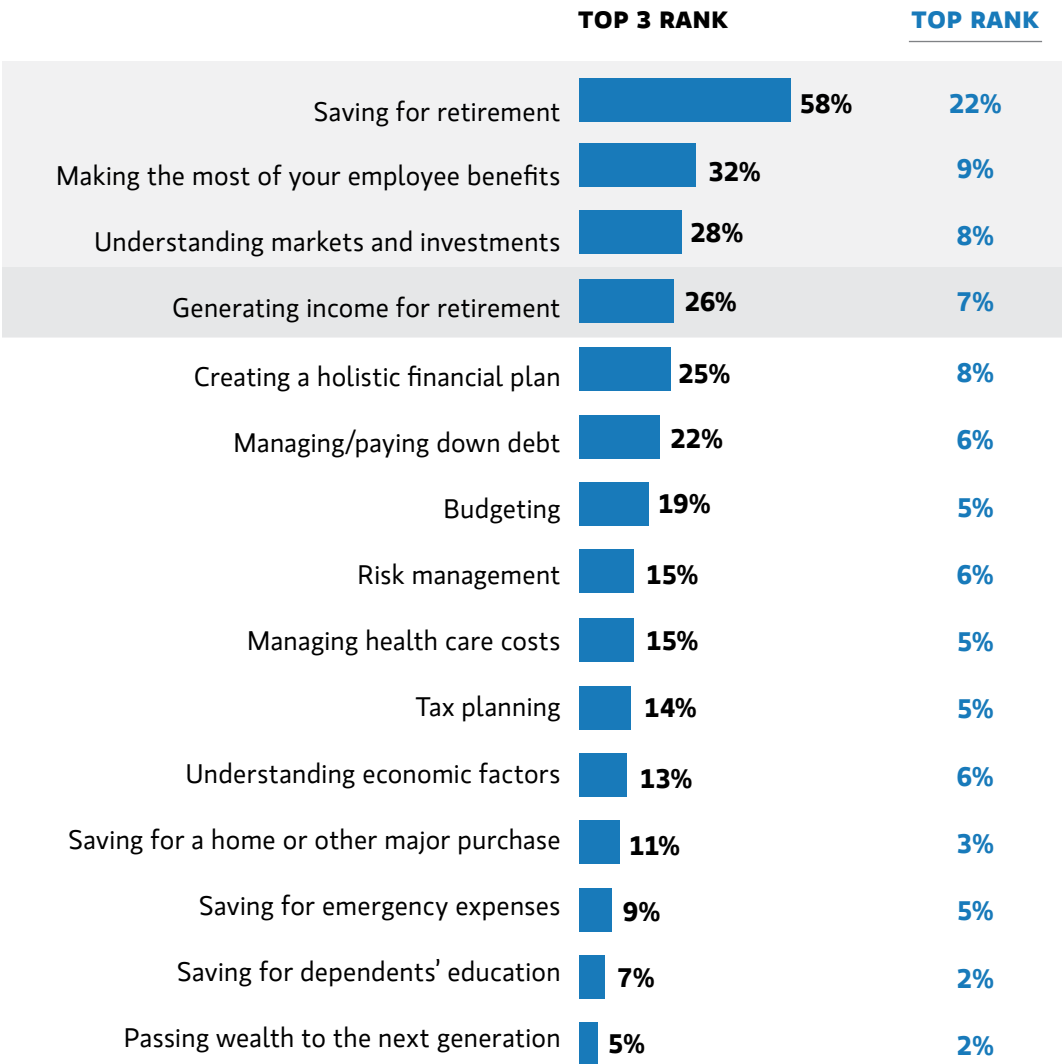
PARTICIPANT ENGAGEMENT

Educational Materials Focus on the Core Topics, but There May Be Demand for More Advanced Topics

Participant engagement content can cover a wide array of topics. Sponsors clearly indicated that core topics (saving for retirement, making the most of employee benefits and understanding markets) are still the most beneficial for participants. More advanced topics, such as wealth transfer and tax planning, may appeal to a narrower set of employees, but the core topics have the greatest impact, according to sponsors.

Only one-quarter of sponsors named retirement income among their top three most impactful topics. But given that most sponsors either offer or plan to offer retirement income solutions and those sponsors cited the lack of participant understanding as the biggest barrier to adoption, quality tools are needed to help participants navigate their options for generating income in retirement.

Financial Education Topics Most Beneficial to Employees



Key Questions that Emerged from the Survey

The findings of the survey highlighted several important questions facing plan sponsors about how to continue optimizing their retirement plans. Morgan Stanley works alongside defined contribution plans of all sizes as they navigate these critical questions.

RETIREMENT INCOME

Will sponsors' surging interest lead to action?

Many respondents indicated that they plan to add retirement income solutions to their plans, but plan implementation and participant utilization can pose hurdles.

CONSULTANT RELATIONSHIPS

Will the current momentum for 3(38) continue?

The increasingly complex investment and regulatory landscape underscores the value of more agile, expansive consulting engagements that can be achieved through the 3(38) model.

PARTICIPANT ENGAGEMENT

How can service providers offer resources to enhance plan success?

Some consultants have joined recordkeepers in providing educational tools and resources that help contribute to the success of retirement plans, particularly as sponsors add new offerings and customization options.

Investment Consulting Solutions for Retirement Plans

Morgan Stanley offers a wide range of customized solutions and advice across retirement plan types.

Defined Contribution (DC)

We are uniquely equipped to guide a DC plan through the complex, interrelated decisions involved in building an effective retirement plan that addresses the needs of the organization and its workforce.

Defined Benefit (DB)

We can develop a customized approach to help strengthen the health of a DB plan and support plan goals such as improving funded ratios, minimizing funded status risk or de-risking a portfolio.

Nonqualified Deferred Compensation (NQDC)

Our consultants can help develop an NQDC plan that is integrated with other elements of an organization's retirement plan and compensation program.

Deep Resources and Experience

We combine local expertise and global resources to help our clients make informed, confident investment decisions.



\$732.2 Billion

in total institutional assets under management²



50+ Years

of experience advising institutional clients



1,798 Consultants

serving institutional clients²

Additional Resources

Learn more about Morgan Stanley's [investment consulting capabilities for retirement plans](#) or access additional resources for plan sponsors:

- [State of the Workplace 2024 Financial Benefits Study](#)
- [Understanding Your Fiduciary Responsibility: 3\(21\) vs. 3\(38\) Services](#)
- [How Do Retirement Plans Influence Healthcare Acquisitions](#)
- [Stock Plan Benefits Are a Vital Tool for Employee Retention](#)

² As of June 30, 2024.



Let’s Talk

We look forward to starting the conversation on how we can help.

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www.morganstanley.com/ics

DISCLOSURES

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METHODOLOGY:

Phone survey among 190 plan sponsors. Respondent qualifying criteria:

- Part of team that makes investment decisions for 401(k) plan.
- For-profit businesses with AUM \$50 million+
- \$50M-\$100M N=74; \$250M-\$1B: N=60; \$1B+: N=56

Data collection occurred during May 2024; Morgan Stanley was not identified as research sponsor.
Statistical testing was done at the 90% confidence level.
8 Acre Perspective, an independent research firm, conducted the research.

