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The Evolution of U.S. Firms' Retirement Plan Offerings: Evidence from a New Panel Data Set

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Key Findings and Policy Implications

This paper documents how the features of employer-sponsored defined contribution pension plans evolved from 2003 to 2017. It considers their matching provisions, vesting rules, automatic enrollment and defaults, and any automatic escalation. The analytic database was constructed by hand-coding the narrative plan descriptions of about 5,000 plans, covering up to 37 million participants annually. The paper finds that:

- Matching schedules, when offered, have become more generous over time. The combined contribution (employee and employer) of someone fully exploiting their match increased by close to 1% of salary between 2003 and 2017.
- The proportion of firms with matching provisions declined during the Great Recession and did not recover to its pre-recession level for almost a decade.
- Among the largest plans, automatic enrollment increased from 2.4% of firms in 2003 to 41% of firms in 2017. Automatic enrollment with automatic escalation increased from being virtually non-existent in 2003 to 18% of firms in 2017. Still, only a third of large plans with automatic enrollment have a default saving rate that takes full advantage of employer matching contributions.
- Safe-harbor regulations play an important role in plan design. By 2017, over 40% of the sample of large plans satisfy one of the safe-harbor plan conditions, with around half of these satisfying them at the minimum requirements.

Almost two thirds of private-sector workers in the US have access to an employer-sponsored defined contribution plan, and every year employers and employees contribute around $500 billion to these accounts. This study documents how the plans have evolved over time, highlighting the increasing adoption of automatic enrollment, automatic escalation, and more generous employer matching.

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