index to investment in small-
company, industry, or international 
funds, which may have both higher 
risks and greater returns.

In 2009, 63 percent of private in-
dustry workers had common stock 
funds as an investment choice for 
their own funds while 57 percent 
could choose common stock funds 
for their employer’s matching 
contributions. Investment in com-
mon stock funds has increased 
since 2003 for both employee 
and employer’s matching contributions.

Life-cycle funds

Often referred to as target 
retirement or “set it and forget it” funds, life-cycle funds aim 
to provide an easy and efficient 
way for employees without any 
real knowledge of investing to 
contribute toward their retirement. 
With life-cycle funds, employees 
typically choose a retirement 
time horizon up front and a 
corresponding fund that is closest 
to that time horizon. The chosen 
fund then automatically adjusts 
the employee’s investments from a 
position of higher risk to lower risk, 
as the employee nears retirement.

The NCS first produced data 
on life-cycle funds as an invest-
ment choice within savings and 
thrift plans in 2009. The data show 
that 30 percent of private industry 
workers had life-cycle funds as an 
investment choice for employee 
contributions and 27 percent had 
life-cycle funds as an option for 
employer contributions.

For additional assistance on 
benefits, contact one of our 
information offices:

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DEFINED-CONTRIBUTION PLAN INVESTMENT CHOICES

Employees given range 
of investment options 
in 401(k) plans

In the past 10 years, many 
employees participating in 
defined contribution savings 
and thrift retirement plans, such as 
401(k)’s, suffered large investment 
losses. In some companies, 
employees lost nearly all of their 
401(k) savings by investing 
retirement funds in company 
stock, due in part to having limited 
investment choices. These losses 
led to reforms such as the Pension 
Protection Act of 2006, which 
allows workers greater control 
over how their funds are invested 
by requiring employers to provide 
alternative investment options 
to company stock for defined 
contribution retirement plans.

This issue contains some newly 
published NCS data on investment 
choices in savings and thrift 
defined contribution retirement 
plans. Additional NCS detailed 
data on retirement benefits can 
be found at http://www.bls.gov/
ncs/ebs/detailedprovisions/2009/ 
ebbl0045.pdf. Historical data 
on defined contribution plan 
investment choices can be found at 

The estimates of employee and 
employer contribution investment 
choices and options presented 
here were adjusted to remove 
responses that were not determin-
able. Responses are considered 
not determinable when survey 
respondents cannot provide specif-
ic information about choices or 
their investment. Estimates were 
adjusted under the assumption that 
the distribution of responses that 
were not determinable was similar 
continued inside
to that of determinable responses. For 2009, the rate of responses that were not determinable for available investment choices was 16 percent for employee contributions and 19 percent for employer contributions. Additional adjustments were made to remove responses that were not determinable for those workers with investment choices available.

Available investment choices

Options for investing in savings and thrift defined contribution retirement plans, such as 401(k)’s, include a wide range of available investments and risk. Among typical investment options in recent years are company stock, common stock funds, diversified investment funds, and life-cycle funds. Company stock investments typically have the highest risk, along with the highest potential returns. Common stock funds, diversified investment funds, and life-cycle funds have varying amounts of risk to meet the large range of employer or employee investment profiles. Available investment options for workers’ own contributions or employers’ matching funds are fairly similar, but there is some variation.

Workers were more likely to have investment choices for their own contributions than for employer matching funds, but most workers participating in savings and thrift plans could choose among investment options for either type of contribution. Some workers also had multiple savings and thrift investment options available to them. (See table 1.)

In 2009, 30 percent of part-time employees could choose to invest their own contributions in company stock, a greater percentage than full-time employees (21 percent.) Thirty-five percent of union employees could choose company stock, compared with 20 percent of nonunion employees. (See table 2.)

Diversified investments

Diversified investments aim to minimize risk for an investor by spreading the risk of investment over several different equity or debt instruments. Risk protection, to varying degrees, makes diversified investments very popular. As a result, diversified investments were the most common investment choice in 2009 for both employee and employer retirement contributions. Eighty-one percent of private industry workers could invest their own funds in diversified investments, while 72 percent could invest their employer’s matching contributions in these instruments. In 2009, 87 percent of part-time employees had diversified investments as a possible investment choice for the employee’s funds, compared with 80 percent of full-time employees.

Common stock funds

In 2009, common stock funds were the second most popular investment choice available to private industry workers in savings and thrift plans. A common stock fund invests in a combination of the common stocks of publicly traded companies. Historically, common stock funds have performed well over long periods; hence, they are often seen as attractive options for investing retirement funds. Common stock funds can range from investment in well-known companies through such options as the popular Standard & Poor’s 500

### TABLE 1

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<td>(All workers participating in savings and thrift plans = 100 percent)</td>
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<td>–</td>
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<tr>
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</tr>
<tr>
<td>No investment choice available</td>
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</tr>
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</table>

Note: Individual items may sum to percentages greater than that listed for the total for all investment choices available because multiple savings and thrift investment options were available to some employees. Dash indicates data not requested.

### TABLE 2

| Percent of employees with investment choices for employee contributions in savings and thrift plans, private industry workers, National Compensation Survey, 2009 |
|---|---|---|---|---|
| (All workers participating in savings and thrift plans = 100 percent) |
| Characteristics | Investment choice available | Company stock | Common stock fund | Diversified investments | Life-cycle funds | Other | No Investment choice available |
| All workers | 98 | 22 | 63 | 81 | 30 | 15 | 2 |
| Full time | 98 | 21 | 63 | 80 | 29 | 15 | 2 |
| Part time | 98 | 30 | 70 | 87 | 47 | 13 | – |
| Union | 100 | 35 | 70 | 85 | 38 | 14 | – |
| Nonunion | 98 | 20 | 63 | 80 | 29 | 15 | 2 |

Note: Individual items may sum to percentages greater than that listed for the total for all investment choices available because multiple savings and thrift investment options were available to some employees. Dash indicates no workers or data did not meet publication criteria.