

Retirement Plan Benchmarking – How Does Your Plan Compare?



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Plan Sponsors often inquire about what other companies are offering for their retirement plan. It's a great question and one that helps them to stay competitive and to satisfy part of their Fiduciary duties. Here is a recent study done by Vanguard I wanted to share. Ask your current advisor how your plan benchmarks if you haven't already.

Defined Contribution (DC) retirement plans remain the foundation of the private-sector retirement system, covering over 100 million Americans and holding more than \$13 trillion in assets. With 99.9% of U.S. businesses classified as small, many lack the resources to benchmark their retirement plans effectively. Vanguard serves over 21,000 plan sponsors and 1 million participants offering valuable insights into how small plans compare to larger ones in structure, savings behavior, and investment strategy.

Plan Design and Participation

Only 22% of small plans allowed immediate eligibility for new employees, while most required a service period. Automatic enrollment, a proven driver of higher

participation, was 24% among small plans compared to 61% for larger plans. Of the small plans with automatic enrollment, 57% also featured automatic annual increases in employee contributions, and 40% defaulted participants at a 4% or higher deferral rate.

Safe harbor plan designs, which simplify compliance and ensure equal access to employer contributions, were used by 71% of small plans, much higher than in large-plan populations.

Participation was highest in architecture, finance, and technology sectors (around 75–80%) and lowest in transportation and retail (below 60%).

Savings Behavior

In 2024, participants contributed an average of 7.7% of income, matching larger-plan averages and setting an all-time high. The median deferral rate was 5.8%, with one in four employees saving at least 10% of pay.

Nearly all plans allowed catch-up contributions, and 17% of eligible participants used them. Roth options were widely available (91% of plans), though only 21% of participants contributed to Roth accounts.

Including employer contributions, the average total saving rate reached 12.9%, a healthy benchmark for long-term retirement readiness.

Investing and Asset Allocation

Equities represented 75% of plan assets, and 46% of assets were invested in target-date funds (TDFs). Participants used an average of 2.3 funds, with most

holding just one—typically a TDF. Nearly all plans designated a qualified default investment alternative (QDIA), and 97% chose TDFs for that role.

Trading activity remained low, with only 5% of participants making exchanges in 2024, reflecting strong long-term investing discipline.

Access and Withdrawals

About 70% of plans permitted loans, but only 6% of participants had one outstanding. Hardship withdrawals were allowed in 87% of plans yet used by just 2% of participants. Encouragingly, 80% of separating employees preserved their assets for retirement through rollovers or leaving funds in the plan.

Fees

The report did not include data on plan fees. There are several services that can benchmark plan fees to other plans of similar size and participant headcount. It recommended to have that done yearly.

Key Takeaway

2025 data show continued progress in small business retirement plans—rising savings rates, greater use of automatic features, and growing adoption of target-date funds. However, participation and balance disparities persist compared with larger plans, signaling ongoing opportunities to expand access and enhance financial wellness for America's small business workforce. More education is needed about the Roth(k) feature.

Shifting the Tax Burden onto Commercial Real Estate: Fair or Not?



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Should all parcels of real estate be charged the same mill rate (also known as the property tax rate)?

What is fair? What is good public policy?

Before delving into the issue, we need to establish a few basic principles of municipal funding and governance. First: In suburban New York State, we fund our local governments largely through real estate taxation. This means we are paying for schools, police and roads primarily through the property tax levy. Second: Each parcel of real estate resides in a district of municipal service and that parcel is only taxed for that district. Thus, if you are located on Commerce Drive in the Hauppauge Industrial Park, you are paying taxes for the Hauppauge School District, Suffolk County Police and Town of Smithtown. Conversely, the parcel will pay nothing to the Smithtown School District, Nassau County Police or Town of Islip. Third: Our tax bill is calculated by taking your assessment (i.e., value, as assigned by the tax assessor), and multiplying it by the mill rate.

Now, back to the question of fairness. Should all properties pay the same mill rate? In 1983, New York State passed Article 19 of the Real Property Tax Law, which enabled Towns to create two classes of real estate: Homestead and Non-Homestead. For the purposes of this article, we will refer to this as "the Article 19 System." While there are exceptions, the Homestead Class is defined as 1-3 family housing and residential vacant land. The Non-Homestead

Class is everything else. In other words, all offices, industrial buildings, shopping centers, restaurants and every other commercial property are Non-Homestead. Notably, by the statutory definition, rental apartment complexes are Non-Homestead, whereas condominiums are Homestead.

Article 19 allows Towns to shift more of the tax burden onto the Non-Homestead Class. Put another way, the mill rate applied to the Non-Homestead properties can be, and almost always is, much higher than the mill rate applied to the Homestead properties.

But is this fair? Let us examine two areas of Suffolk County and run the numbers. Bay Shore's Main Street and Smithtown's Jericho Turnpike are both busy commercial thoroughfares. The former is in the Town of Islip, which adopts the Article 19 System. The latter is in the Town of Smithtown, which does not employ Article 19. As taxes relate to assessed value, we will use a hypothetical \$1,000,000 property value for this example. Assume we have a \$1,000,000 restaurant on Main Street in Bay Shore and also on Jericho Turnpike in Smithtown. Further assume we have a \$1,000,000 home in the same immediate vicinity of those restaurants.

This would yield the following taxes:

Smithtown Restaurant -	\$20,500	
Smithtown Home -		\$20,500
Bay Shore Restaurant -	\$25,700	
Bay Shore Home -		\$20,200

While it is not easy to compare taxes among neighboring school districts since the mill rates are so varied, the above example is instructive. The Non-Homestead Bay Shore restaurant pays taxes 27% higher than the Bay Shore home. Whereas in the Smithtown example, the tax burdens are equal.

The column began by posing the question of fairness. In my opinion, the unavoidable answer is that the Article 19 tax system is inherently unfair. Our property tax system is tied to valuation. Higher value properties pay more in tax and lower value properties pay less. However, the Article 19 System is designed to more heavily tax commercial properties.

Still, it is not enough to answer strictly in terms of mathematical fairness. This issue must be viewed from the policymaker's perspective and there are a number of important ancillary considerations

First, there is home affordability. We should want homes to be more affordable, particularly for the elderly. The Article 19 System is a way to move in the direction of affordability. However, there is a paradox in that apartment complexes of 4+ units are actually Non-Homestead properties. As such, those apartment residents will be stuck with the higher tax rate. On the other side of the coin, if a Town wanted to promote business interests and robust employment opportunities, certainly the Article 19 System is not the answer. Consider: if you were a restaurant owner seeking expansion, wouldn't you be looking for the most affordable location?

The voters' opinions must weigh as well. A large proportion of the Homestead Class are homeowners, i.e. voters. Of course, the voting public would prefer lower taxes on their homes. It is an inescapable public opinion.

The conclusion is that any taxing system has tradeoffs. If all parcels are to be charged the same mill rate, like the Smithtown example, homeowners may feel overly burdened, whereas businesses see those areas as attractive locations. The lesson is, look before you jump. Do not open a business or buy a home until you have researched the taxes.