11th Annual Edition

2020 National Cash Balance Research Report

Presented by Kravitz, now part of the FuturePlan Cash Balance Center of Excellence

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CASH BALANCE RETIREMENT PLANS

New Cash Balance Retirement Plans Increase 17%

Cash Balance plans continue to rise as the fastest growing sector of the retirement plan market, showing an increasing and broad appeal across market sectors.

Every year since 2008, Kravitz, part of FuturePlan by Ascensus, has published an in-depth analysis of the latest IRS Form 5500 filings for Cash Balance retirement plans.* The annual growth in new plans, regional trends, plan asset growth, and other statistics are provided as a reference for retirement plan professionals and others interested in learning more about Cash Balance plans.

Highlights

The number of new Cash Balance plans increased 17% from 2017 to 2018, compared with just 2% growth in new 401(k) plans

This demonstrates several realities. 1) We believe the 2017 Tax Cuts and Jobs Act signed into law helped increase the popularity of Cash Balance plans even further. This new law allowed up to an additional 20% tax deduction on adjusted gross income (AGI) that fell below certain levels (depending on business type); 2) Business owners are hungry to accelerate their retirement savings on a tax-advantaged basis; 3) Given the industry-wide educational efforts on Cash Balance plans, CPAs and advisors are understanding the many benefits of offering Cash Balance plans as part of their business model.

Cash Balance plans are a trillion dollar market

Cash Balance plan assets exceed $1.02 trillion nationwide and include more than 10.8 million retirement plan participants.

Small businesses continue driving Cash Balance growth

94% of Cash Balance plans are in place at firms with fewer than 100 employees, and 59% have 10 or fewer employees. The needs of small business owners to catch up on delayed retirement savings and attract top talent are a key factor; see page 6 for details.

California and New York have the most plans overall, while the fastest growth has been in Florida

California and New York account for 25% of all new Cash Balance plans, followed closely by Florida, Texas, and Ohio. Florida is a regional powerhouse with close to 17% year-over-year growth in new plans.

Increasing diversity of companies adopting Cash Balance plans

While healthcare, medical groups, and law firms make up over 60% of the market, Cash Balance plans are becoming more widely known and increasingly popular across the business world. Sectors such as finance, construction, and manufacturing have showed steady growth in new plans.

IRS regulations allowing broader Cash Balance investment options have helped accelerated plan growth

The "Actual Rate of Return" option and other new investment choices approved in the 2010 and 2014 Cash Balance regulations made plans more flexible for employers and removed certain funding issues. The number of large plans using Actual Rate of Return is now 48%, up from just 10% seven years ago.

*Source: Analysis performed by Kravitz, part of FuturePlan by Ascensus, using data from IRS Form 5500 filings via the Judy Diamond Associates, Inc. database. The 2018 plan year data is the most current complete data set available. Additional data on defined contribution and defined benefit plans comes from the Private Pension Plan Bulletin Abstracts by the U.S. Department of Labor, Employee Benefits Security Administration (EBSA), and Kravitz's own book of business.

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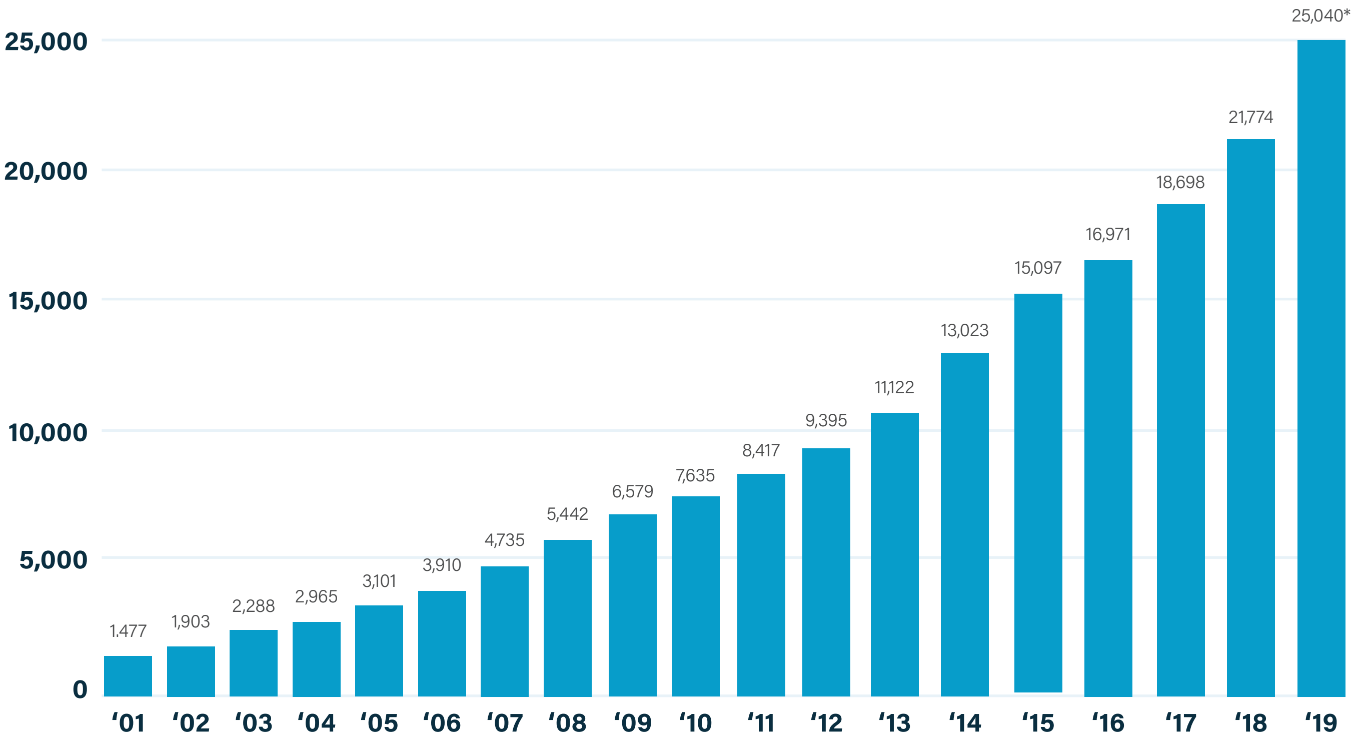
Growth 2001 to 2018

The popularity of Cash Balance plans has soared since 2001, with double-digit annual growth almost every year, and a 17-fold increase over 18 years.



* Projection based on current growth rates and industry data.

What's behind the remarkable growth in Cash Balance plans?

Rising taxes: Rising federal, state, and local tax rates have motivated many business owners to maximize tax-deferred retirement savings and take advantage of tax deductions for contributions to employee retirement accounts.

Hybrid appeal: These "hybrid" plans combine the high contribution limits of a traditional defined benefit plan with the flexibility and portability of a 401(k) plan. They also avoid the common risk factors and runaway costs involved in traditional defined benefit plans.

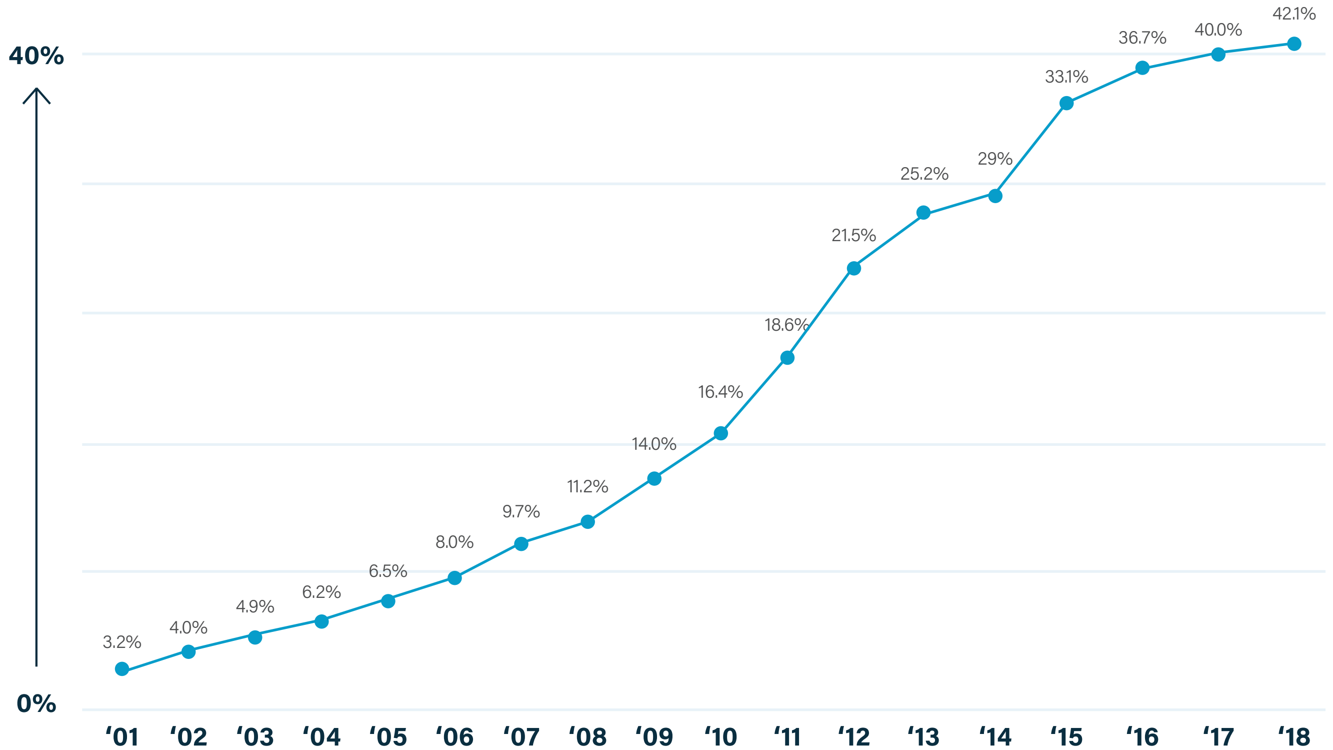
Legislative changes and broader options for plan sponsors: The 2006 Pension Protection Act affirmed the legality of Cash Balance plans and made the plans easier to administer. New IRS Cash Balance regulations in 2010 and 2014 expanded investment options, minimizing many funding issues.

Retirement savings crisis: Frequent media coverage of the boomer generation's lack of retirement preparedness has prompted older business owners to accelerate savings and maximize qualified plan contributions.

CASH BALANCE PLANS

Percentage of All Defined Benefit Plans

In the past 17 years, Cash Balance plans have increased from 3% to 42% of all defined benefit plans. Traditional defined benefit plans have been steadily declining since the mid-1980s, due to a complex array of risk issues, runaway costs, and major changes in workforce demographics. Some larger corporations converted existing defined benefit plans to Cash Balance, while hybrid plans also became increasingly popular with small to mid-size businesses.



Source: Department of Labor (DOL)

Why are Cash Balance plans rapidly replacing traditional defined benefit plans?

Lower risk: Cash Balance plans remove the interest rate risk that led to constantly changing value of liabilities in traditional defined benefit plans.

Removing cost volatility: The structure of a Cash Balance plan prevents runaway costs for employees nearing retirement age.

Easier for employees to understand and appreciate: Cash Balance plans are similar to 401(k) plans in terms of showing individual account balances. Some plans even offer participant websites with daily updates.

Consistency and fairness: These plans allow for more consistent contributions to employees, rather than uneven age-based contributions.

Full portability: Account balances can be rolled over to an IRA, a necessary option for today's mobile workforce in which many employees change jobs every few years.

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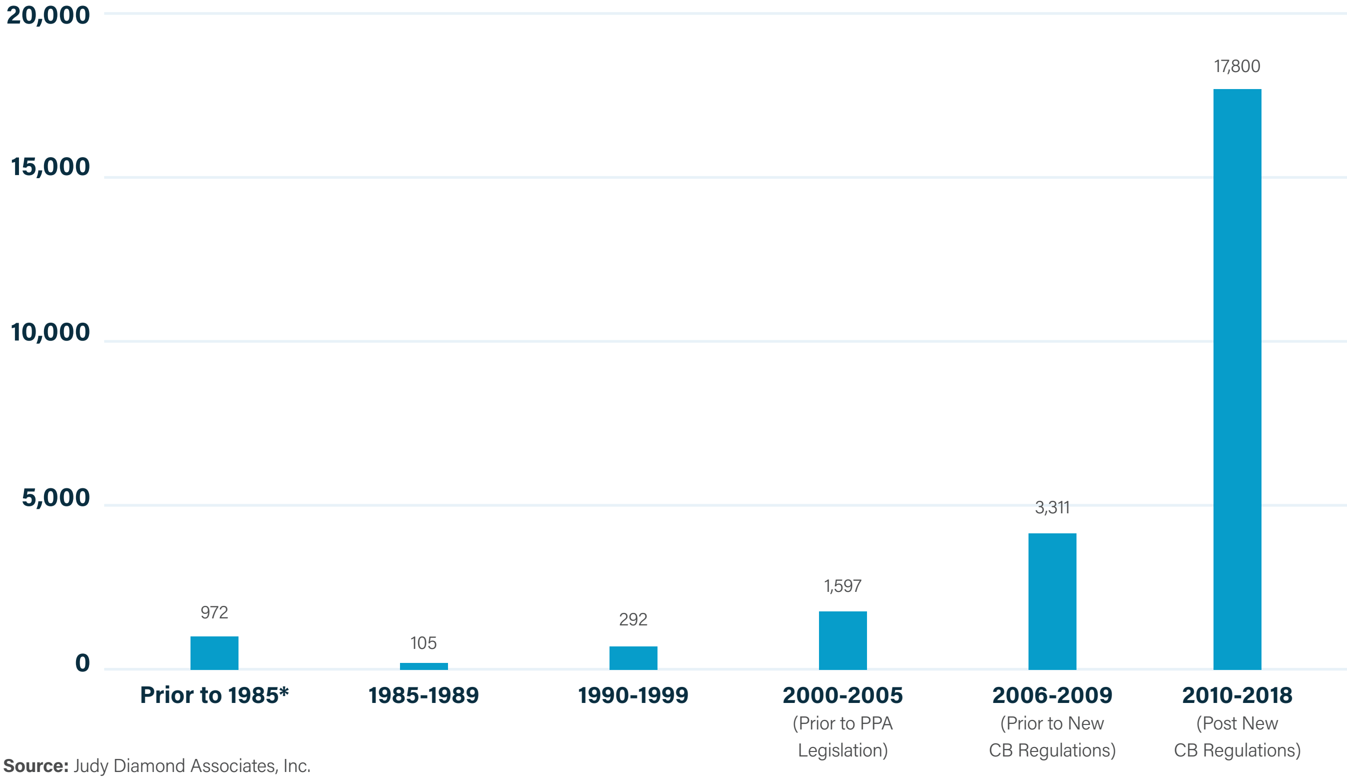
CASH BALANCE PLANS

Year Plans Established

The number of Cash Balance plans nationwide has increased more than five fold since the Pension Protection Act (PPA) came into effect in 2006. The first Cash Balance plan was established by Bank of America in 1985, but the emerging hybrid segment of the retirement plan market remained relatively unknown for the next two decades.



Source: Judy Diamond Associates, Inc.

* Plans with an effective date prior to 1985 are traditional defined benefit plans that were later converted to Cash Balance. The first IRS-approved Cash Balance plan was established in 1985 by Bank of America.

How are legislative changes accelerating the growth of Cash Balance plans?

2006 Pension Protection Act: This law clarified IRS approval of the plans, removed any remaining uncertainty about their legal status, and introduced other changes that simplified implementation and administration. Thanks to this legislative shift, Cash Balance plans became a popular and viable choice for many small business owners.

2010 IRS Cash Balance regulations: New regulations published in 2010 provided greater clarity and expanded options for Interest Crediting Rates (ICR), making these plans even more appealing to employers. The new regulations also generated widespread media coverage and greater national awareness of the high contribution limits, tax advantages, and recruitment/retention power of adding a Cash Balance plan.

2014 Final IRS Cash Balance regulations: Final regulations issued in September 2014 gave plan sponsors a compliance roadmap and greater investment flexibility, including the option to use fixed rates up to 6% and to include multiple investment options within a single Cash Balance plan.

2017 Tax Cuts and Jobs Act, Provision 11011 Section 199A: Section 199A of the Internal Revenue Code provides many owners of sole proprietorships, partnerships, S corporations, and some trusts and estates a deduction of income from a qualified trade or business with AGI that falls below certain thresholds. Cash Balance plans help owners reduce their AGI to obtain this additional 199A tax deduction.

CASH BALANCE PLANS

Participants

Small to mid-size businesses continue to drive the growth of Cash Balance plans, and the highest growth over the past seven years has been in companies with fewer than 25 employees. Today, 94% of plans are in place at firms with fewer than 100 employees. Firms with one to nine employees now account for 59% of all Cash Balance plans.

The largest plans (those with 10,000 or more participants) typically represent older traditional defined benefit plans that were converted to Cash Balance. These conversions may increase in the next few years as an alternative to terminating financially troubled defined benefit plans.

Participants	Number of Plans	Percent of Nation's Total
Over 10,000	228	1.0%
1,000 to 10,000	505	2.3%
100 to 999	593	2.7%
25 to 99	2,363	10.9%
10 to 24	5,282	24.3%
1 to 9	12,803	58.8%
National Total	**21,774**	

Total participants in Cash Balance plans nationwide: **10,805,019**

Source: Judy Diamond Associates, Inc.

What makes Cash Balance plans so attractive to small business owners?

Cost efficiency and tax efficiency: After staff costs, taxes are usually the largest expenditure for small businesses. Cash Balance plans help owners with a significant tax deduction for employee contributions, plus generous tax-deferred retirement contributions for themselves.

Asset protection: As with any IRS-qualified retirement plan, Cash Balance assets are protected in the event of a lawsuit or bankruptcy.

Catching up on delayed retirement savings: Age-weighted contribution limits allow older owners to squeeze 20 years of savings into 10. Owners can typically double or triple the pre-tax deferrals they were able to make in a defined contribution plan.

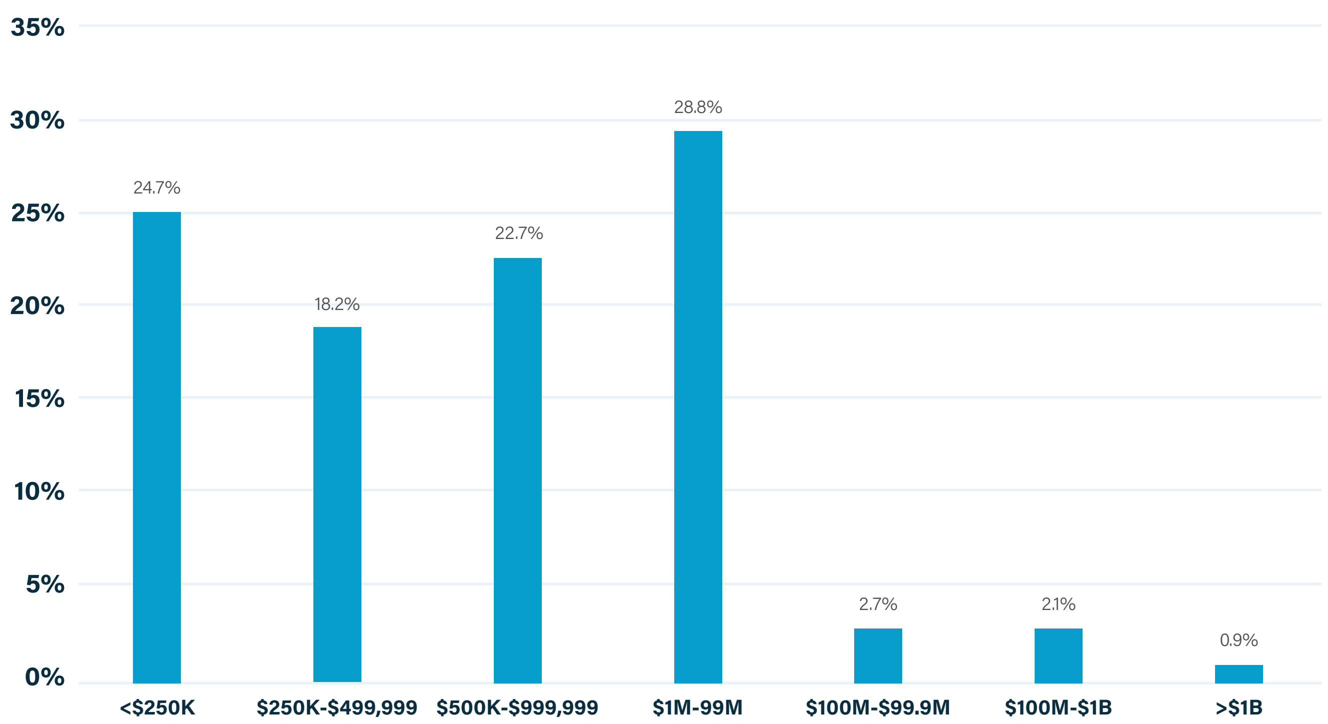
Attracting and retaining talented employees in a tight labor market: Defined benefit plans such as Cash Balance are more appealing to many employees than typical 401(k) plans alone, giving small business owners a competitive recruitment advantage.

CASH BALANCE PLANS

Plan Asset Size

As relatively new plans, many still have assets under $500,000. This asset profile will shift over the next decade, as many business owners seek to maximize tax-deferred savings for themselves and optimize tax-efficient contributions to employees.

For most firms, a Cash Balance plan is an “add-on” to an existing 401(k) profit sharing plan that already has significant assets. See page 13 for an overview of the most popular plan combinations.



Source: Judy Diamond Associates, Inc.

Total assets in all Cash Balance plans nationwide: **$1.03T in 21,774 plans**

Annual contributions for 2018: **$25.5B**

Highlights: steady, stable growth

- The median asset size of a Cash Balance plan is $723,494; the average is $51.9 million.
- 34.4% of Cash Balance plans have assets over $1 million.
- Cash Balance accounts increase each year in two ways: through an employer contribution (a flat amount or a percentage of pay) and through an interest credit. Both are specified in the plan document. See page 9 for a discussion of Interest Crediting Rates.
- The high percentage of plans with assets under $250K reflects the large number of new start-up plans at small firms, typically with fewer than 10 participants.

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LARGEST CASH BALANCE PLANS

Plan Asset Size

Top 10 Plans Overall	
1. AT&T	$49.2B
2. IBM	$49.2B
3. Boeing	$28.2B
4. Fedex	$22.0B
5. United Technologies	$20.2B
6. Bank of America	$19.9B
7. Honeywell International	$17.1B
8. Alcatel-Lucent	$16.8B
9. 3M	$16.2B
10. Northrop Grumman	$16.1B

Top 10 Medical/Hospital Plans	
1. Partners Healthcare System	$6.8B
2. Sutter Health	$4.4B
3. Intermountain Healthcare	$2.8B
4. University of Pittsburgh Medical Center	$2.3B
5. Northwell Health	$2.0B
6. Hartford Healthcare	$1.6B
7. The Cleveland Clinic Foundation	$1.2B
8. William Beaumont Hospital	$1.2B
9. The New York Presbyterian Hospital	$1.2B
10. Board of Trustees For Hospital Employees	$1.2B

Top 10 Law Firm Plans	
1. Sidley Austin	$928.2M
2. Morgan, Lewis & Bockius	$426.3M
3. Kirkland & Ellis	$290.4M
4. Jones Day	$239.0M
5. DLA Piper	$233.1M
6. Gibson, Dunn & Crutcher	$232.0M
7. Akin, Gump, Strauss, Hauer & Feld	$206.8M
8. Latham & Watkins	$201.7M
9. Baker Botts	$123.4M
10. Quinn Emanuel Urquhart & Sullivan	$118.8M

Source: Judy Diamond Associates, Inc.

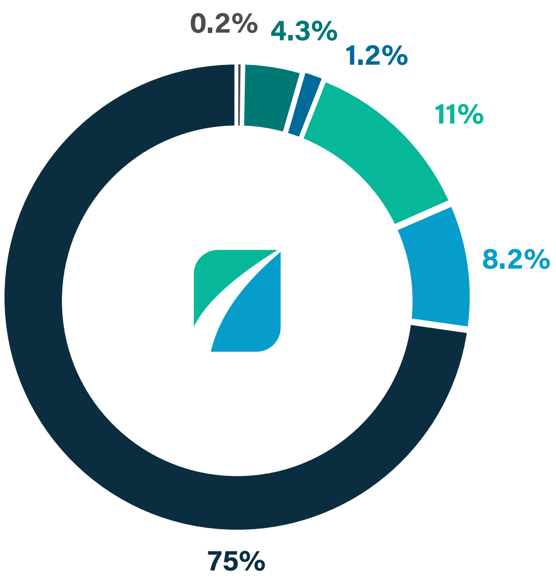
Cash Balance plans play a strategic role in retirement and benefits planning for many large firms

While the dramatic growth in new Cash Balance plans has been driven mainly by small and mid-size businesses, these tax-efficient plans are also offered by many leading national law firms, hospitals, and medical groups. Select Fortune 100 companies maintain large Cash Balance plans, some of which were converted from older traditional defined benefit plans (see page 4 for more details). For many large firms, Cash Balance plans are a key tool for recruiting and retaining talented employees in a highly competitive labor market.

CASH BALANCE PLANS

Interest Crediting Rate Trends

The popularity of Cash Balance plans has soared since 2001, with double-digit annual growth almost every year, and a 17-fold increase over 18 years.



Key	Interest Crediting Rate	Percentage*
	Fixed Rate of Return (Ranging from 2-6%)	75%
	30-Year Treasury Rate	8.2%
	30-Year Treasury Rate With a Floor (Ranging from 3-5%)	11%
	Actual Rate of Return	1.2%
	Actual Rate of Return with a Ceiling (Ranging from 3-6%)	4.3%
	ARRIO	0.2%

*2019 Kravitz, LLC book of business

"Actual Rate of Return" and fixed rates rise in popularity

All Cash Balance plan participants receive an annual interest credit on their account balances, based on the specific Interest Crediting Rate (ICR) written into the plan document.

Before the IRS Cash Balance regulations were published in 2010, an estimated 95% of Cash Balance plans used the yield on the 30-year Treasury bond. This rate averaged 4 to 5% for most of the decade prior to the current low interest rate era, when the yield has often fallen below 3%. The 2010 regulations changed the game, allowing many more ICR options and greater flexibility for plan sponsors. Fixed rates have become the dominant choice, with 4% the most common, and Actual Rate of Return became a very popular option for larger plans. Page 10 of this report reviews large plan ICRs in more detail.

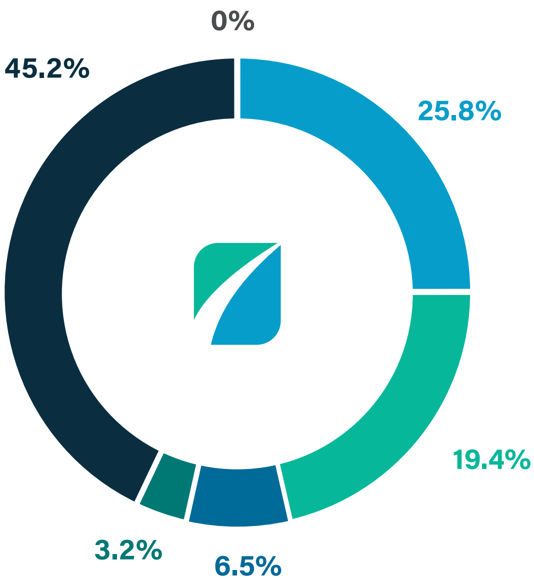
Actual Rate of Return: this option allows plan sponsors to set the ICR to equal what the plan investments actually earn in the market (the "Actual Rate of Return"), rather than trying to target a specific interest rate every year. The employer's investment risk is reduced considerably, and participants are protected by various investment rules.

Final IRS Cash Balance regulations released in September 2014 made Actual Rate of Return an even more compelling option, as discussed on page 10.

CASH BALANCE PLANS

Interest Crediting Rate Trends: Large Plans

The popularity of Cash Balance plans has soared since 2001, with double-digit annual growth almost every year, and a 17-fold increase over 18 years.



Key	Interest Crediting Rate	Percentage*
	Fixed Rate of Return (Ranging from 3-5%)	25.8%
	30-Year Treasury Rate	19.4%
	30-Year Treasury Rate With a Floor (4%)	6.5%
	Actual Rate of Return	3.2%
	Actual Rate of Return with a Ceiling (Ranging from 4-6%)	45.2%
	ARRIO	0%

*2019 Kravitz, LLC book of business

Minimizing risks and maximizing investment options makes Actual Rate of Return appealing for larger plans

We have continued to see large plan sponsors moving away from the 30-year Treasury rate as an ICR and choosing either a fixed rate or Actual Rate of Return, usually with a ceiling between 4% and 6% to manage volatility. Only 26% of large plans still use the 30-year Treasury rate, down from 90% when the IRS regulations changed in 2010. Using Actual Rate of Return reduces the employer's investment risk considerably, and participants are protected by various investment rules, including preservation of capital.

The final IRS Cash Balance regulations released in September 2014 have made Actual Rate of Return even more compelling, since plan sponsors can now offer multiple investment options within a single plan, tailored to suit different retirement goals and needs.

Advantages of an Investment Choice Cash Balance plan:

- Meets diverse participant needs and goals
- Incorporates a range of investment strategies within a single plan
- Enhances flexibility for growing firms with many partners/shareholders
- Improves ability to attract and retain top talent

CASH BALANCE PLANS

Regional Concentration

Rank	State	Number of Plans	Percent of Nation's Total	Percent Annual Increase*
1.	CA	3,341	15%	20%
2.	NY	2,155	10%	14%
3.	FL	1,402	6%	17%
4.	TX	1,303	6%	13%
5.	OH	1,196	5%	9%
6.	IL	1,193	5%	10%
7.	NJ	1,140	5%	14%
8.	MI	782	4%	11%
9.	PA	773	4%	12%
10.	GA	574	3%	13%
National Total		**21,774**		

Source: Judy Diamond Associates, Inc.
*Increase in total number of plans between 2017-2018, the most recent year for which complete IRS Form 5500 data is available.

California and New York have been leading the Cash Balance sector for the past 15 years in terms of the total number of plans, and continued to do so last year. Together they account for 5,496 plans, or 25% of the national total. For the past several years, Florida has led the way for fastest regional growth in new plans with a remarkable 17% year-over-year increase.

Since new Cash Balance plans are most frequently adopted by successful, profitable small to midsize businesses, their steady growth rates are a good indicator of the regional health of small business.

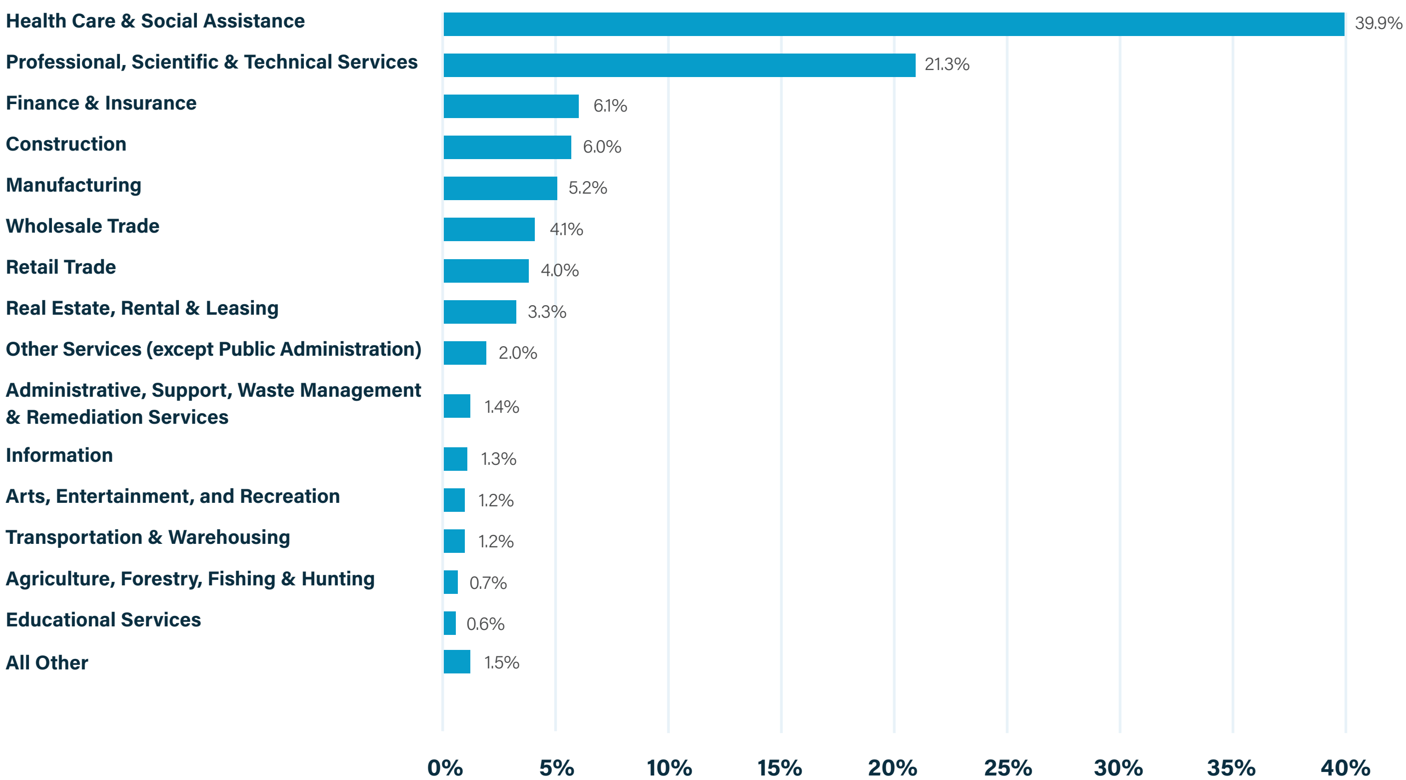
Other regional highlights:

- Cash Balance plans are active in all 50 states and are now represented in Puerto Rico, Guam, and the US Virgin Islands.
- Florida is a powerhouse of regional growth, climbing to third on our chart from fifth two years ago.
- Illinois barely made the top 10 several years ago and is now ranked sixth in the nation, likely driven by large numbers of medical and legal groups in the Chicago area along with many competing Cash Balance providers promoting awareness in the business community.

CASH BALANCE PLANS

Business Type

America's healthcare, technical, legal, and financial sectors continue to lead the way in adopting Cash Balance plans. These plans are an excellent fit for the retirement needs of professional services firms, because of their flexibility for multi-partner firms and high age-weighted contribution limits, which allow older owners to double or triple pre-tax retirement savings.



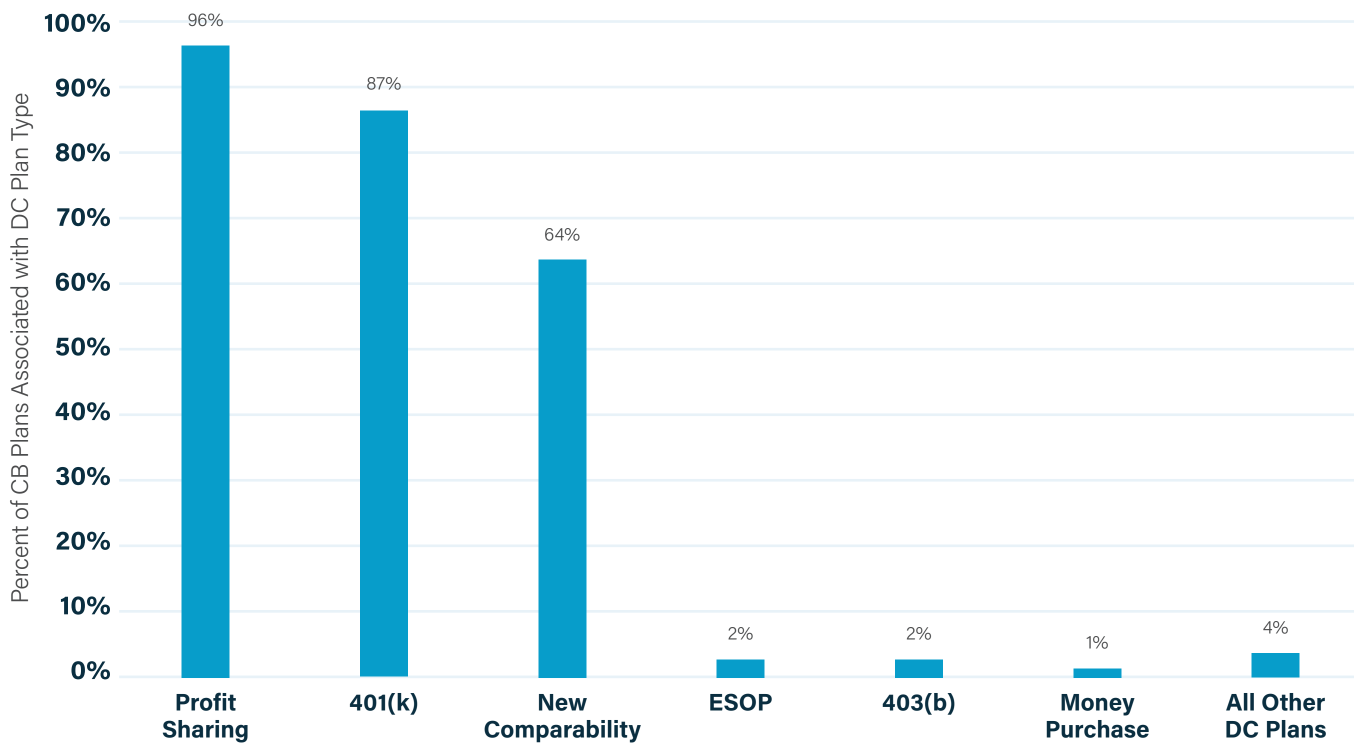
Source: Judy Diamond Associates, Inc.

Increasing diversity of businesses adopting Cash Balance plans:

- Construction firms now account for 6% of all Cash Balance plans, a promising sign for the economy.
- Medical and dental groups account for nearly 40% of all Cash Balance plans nationally, and we expect to see continued growth in the healthcare sector, affecting trends in the overall US economy.
- With many CPA and financial advisory organizations educating clients about Cash Balance plans, we expect even greater diversification of business types adding these plans.

DEFINED CONTRIBUTION PLANS

Other Plan Types Associated with Cash Balance Plans



Source: Judy Diamond Associates, Inc.

Plan combinations allow business owners to optimize tax efficiency and maximize retirement savings

- Very few firms have a stand alone Cash Balance plan; today 96% offer Cash Balance plans in combination with one or more defined contribution plans. The most common combination is Cash Balance with a 401(k) and/or profit sharing plan, allowing business owners to maximize contribution levels, flexibility, and tax efficiency.
- When a firm offers a combination of retirement plans, the IRS requires "cross-testing" to ensure fairness to all employee groups across all compensation levels. It is important to have an experienced, technically skilled actuarial consultant design a Cash Balance retirement program that will achieve the plan sponsor's goals while passing all IRS tests every year.
- Thanks to steadily increasing demand for creative plan designs combining Cash Balance, 401(k) and profit sharing, top retirement plan consultants are finding new opportunities to develop a niche specialty with a competitive edge.

About Kravitz and FuturePlan

Kravitz is now part of FuturePlan by Ascensus, the nation's largest and most innovative retirement consulting firm. FuturePlan was created by uniting leading third-party administrators (TPAs) to become one dedicated organization with a shared vision for transforming the retirement industry.

Since 2008 and prior to becoming part of FuturePlan, Kravitz published an in-depth analysis of Cash Balance plans and revealed the latest trends.

Dan Kravitz, former president of Kravitz, is now the National Practice Leader for Cash Balance plans at FuturePlan.

We've created a new national model to deliver the highest possible levels of expertise, care, and service to advisors and their clients. Every member of the FuturePlan leadership team brings decades of expertise to serve our clients, backed by the strength of Ascensus and its 40-year record of excellence.

Learn more at **CashBalanceDesign.com** and **FuturePlan.com**.

For more information regarding Cash Balance plans,
please contact Kravitz:

877-CB-Plans
CashBalanceDesign.com