



PENSION & BENEFITS



REPORTER

Reproduced with permission from Pension & Benefits Reporter, 34 BPR 1034, 5/4/2010. Copyright © 2010 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

Defined Benefit Plans

Most Participants in Frozen DB Plans Not Left Out in the Cold, BLS Report Says

As employers confronted with the economic recession have closed or frozen their defined benefit retirement plans, most private industry workers and all state and local government workers had alternative plan options available, according to a government report released April 29.

The Labor Department's Bureau of Labor Statistics issued *BLS Program Perspectives On Defined Benefit Plans*, which said that 20 percent of workers in private industry and 79 percent of state and local government workers participated in defined benefit plans as of March 2009. Of those participants, 19 percent in the private sector and 10 percent of the government workers were in frozen defined benefit plans that were closed to new employees and/or may limit future benefit accruals for some or all active participants.

"The results of this analysis are encouraging," Nancy Hwa, a spokeswoman for the Pension Rights Center, told BNA April 30. "Given the recent recession, we expected the percentage of private-sector workers in frozen plans to be higher than 20 percent. And the fact that three-fourths of workers in frozen plans are continuing to accrue benefits is good news, particularly for older employees."

At the same time, Hwa added, "it's no surprise that the alternative plan provided for the vast majority of frozen DB plans in the private sector was a defined contribution, or [tax code] 401(k)-type, plan. Unfortunately, for most people, 401(k) plans provide inadequate and less secure retirement income when compared to traditional pensions. 'Alternative' is not the same as 'equivalent.'"

Relying on data from its *National Compensation Survey: Employee Benefits in the United States, March 2009*, BLS found that as of March 2009, 94 percent of

private industry participants in frozen plans had the option of one or more alternative plans. Among the alternatives offered, the most common was a new defined contribution plan (available to 56 percent of workers in frozen plans) or an enhanced existing defined contribution plan (available to 28 percent of workers). Of the remaining participants in frozen plans, 11 percent had a new defined benefit plan and 1 percent had other types of alternative plans available.

The report said that in the public sector, all state and local government employees had alternative plan options in the form of either a new defined benefit plan (available to 95 percent of participants), an enhanced existing defined contribution plan, or a new defined contribution plan.

Accrual of Benefits. Almost all state and government workers in frozen plans were in plans that allowed participants to continue to accrue benefits. Among private industry workers, however, only 75 percent were in plans that allowed continued accrual of benefits, with 6 percent in plans that allowed some, but not all, participants to continue to accrue benefits, and the remaining in plans with no continued accrual of benefits.

Other Findings. Other highlights of the report:

- **Occupational groups.** Workers in management, professional, and related occupations were more likely to be in frozen plans than workers in other occupational groups.

- **Earnings categories.** Workers in the lowest earnings categories were more likely to be in frozen plans than those in the top earnings categories (42 percent compared with 22 percent).

- **Geographic differences.** The percent of participants who were in frozen plans differed by geographic area. In the private sector, there was a range from 10 percent of plan participants in the Pacific division to 26 percent in the East North Central division. Among state and local government plans, from 2 percent in the South Atlantic division to 26 percent in New England were in frozen plans.

■ *Union membership.* Among private industry workers participating in defined benefit plans, non-union workers had a higher percentage of participants in frozen plans (24 percent) than their union counterparts (10 percent).

■ *Length of time since frozen.* Of private sector workers participating in frozen plans, 67 percent were in plans that were closed within the past five years. Among state and local government workers in frozen

plans, however, that number changed dramatically: 94 percent were in plans that had been frozen for more than five years.

BY ELIZABETH MOHRE

*The report is at <http://www.bls.gov/opub/perspectives>.
The full statistical survey is at <http://www.bls.gov/ncs/ebs/benefits/2009/ebb10044.pdf>.*