

Retirement Plans

OVERVIEW

Over the past several years, organizations have strayed away from providing defined benefit plans to their employees as a retirement benefit and towards widespread use of defined contribution plans. Organizations also report a growing use of financial planning education on retirement for their employees. The study showed a number of trends related to retirement plans and benefits including retirement plans, employee participation in plans, average employee contributions, financial planning, phased retirement, automatic enrollment, retiree health care benefits, and trends in employer changes to retirement benefits. It seeks to provide benchmark information on participation rates, average employee contributions, financial planning education, and general use of retirement programs.

- Ninety-eight percent of employers report offering their employees a defined contribution plan.
- Employers report that on average, three quarters of employees participate in retirement plans.
- The average employee contribution to their retirement plan as a percentage of pay is around 9%.
- Nearly 1 out of every 2 employers say that providing financial planning education to their employees has boosted participation in their retirement plan.
- A majority of employers report making no change to their retirement plan.

RETIREMENT PLANS

The vast majority of organizations offer their employees defined contribution plans (401Ks or 403bs) versus only 16% of employees that after defined benefit plans to their employees. Organizations also offer profit sharing and ESOP plans for their employees.

Exhibit 1: Types of Retirement Plans

Types of Retirement Plans	
	Percent
Defined contribution plan (401K or 403b)	98.0%
Defined benefit plan (pension)	16.0%
Other (please specify)	6.0%
<ul style="list-style-type: none"> ▪ Profit Sharing ▪ Discretionary Profit Sharing ▪ ESOP 	

Approximately three quarters of employees participate in their organization's retirement plans. Manufacturing organizations and mid-sized organizations had slightly higher participation rates among their employees than did non-manufacturing organizations and small organizations. There was little difference between the participation rates between industries and size.

Exhibit 2: Average Percent of Employee Participation in Retirement Plans

Average Percent of Employee Participation in Retirement Plans	
	Percent
All Organizations	76.4%
Manufacturing Organizations	80.3%
Non-Manufacturing Organizations	75.6%
Small Organizations (1-200 employees)	75.2%
Mid-Size Organizations (200+ employees)	79.5%

The average employee contribution to their retirement plans is 8.9%. Mid-size organizations have a lower average employee contribution than small organizations. Non-manufacturing organizations reported a slightly higher average employee contribution than manufacturing organizations.

Exhibit 3: Average Employee Contribution to Retirement Plan
(in terms of percentage of pay)

Average Employee Contribution to Retirement Plan	
	Percent
All Organizations	8.9%
Manufacturing Organizations	8.2%
Non-Manufacturing Organizations	8.9%
Small Organizations (1-200 employees)	9.8%
Mid-Size Organizations (200+ employees)	5.6%

Financial planning education appears to boost employee participation in retirement benefit programs, particularly among non-manufacturing organizations. While nearly three-quarters of organizations offer financial planning education for retirement and this remains consistent across different industries and organization sizes, non-manufacturing and mid-size organizations seem to see the best participation as a result.

Exhibit 4: Financial Planning Education for Retirement

Financial Planning Education for Retirement	
	Percent
Organizations providing this education to all employees	74%
Financial planning education increased participation in retirement plan (All Organizations)	48%
Financial planning education increased participation in retirement plan (Manufacturing Organizations)	41%
Financial planning education increased participation in retirement plan (Non-Manufacturing Organizations)	61%
Financial planning education increased participation in retirement plan (Small Organizations)	46%
Financial planning education increased participation in retirement plan (Mid-Size Organizations)	53%

Most organizations offer retirement benefits to their part time employees in addition to their full time employees. This did not vary across industry or size of the organization.

Exhibit 5: Retirement Benefits Available to Part Time Employees

Retirement Benefits Available to Part Time Employees	
	Percent
Yes	62.0%
No	38.0%

The majority of organizations offer automatic enrollment (automatically enrolling employees in the retirement plan) to their employees. In addition, 16% of organizations offer phased retirement (allowing an employee to move from full-time to part-time employment before retiring). This option is more common among manufacturing and mid-size organizations. A third of non-manufacturing organizations offer health care benefits for retirees as do 20% of mid-size organizations. Offering health care benefits for retirees was less common among manufacturing and small organizations.

Exhibit 6: Other Retirement Programs

Other Retirement Programs					
	All Orgs Percent	Manufact. Orgs Percent	Non-Manu Orgs Percent	Small Orgs Percent	Mid-Size Orgs Percent
Phased Retirement	16.0%	18.8%	11.1%	11.4%	27.0%
Automatic Enrollment	42.0%	46.9%	66.7%	28.6%	73.0%
Health care benefits for retirees	12.0%	6.3%	33.0%	8.6%	20.0%
Profit-sharing supplemental income for retirees	2.0%	3.1%	0.0%	0.0%	0.0%

Most organizations have not made any changes to their retirement plans, and if they have, positive changes have been made by increasing matches on employee contributions. There were a few notable differences in industry and organizational size. More non-manufacturing organizations (22.2%) increased their match than manufacturing organizations (15.6%). More midsize organizations (20.0%) have increased their match than small organizations (11.4%). No organizations have reduced their match and only 4% of employers have passed more costs onto employees. Only 2% of organizations no longer match their employees' contributions.

Exhibit 7: Changes to Retirement Plans

Changes to Retirement Plans	
	Percent
No change	60.0%
Increased match on employee contributions	14.0%
Implemented a defined contribution plan (401K or 403b)	4.0%
Passed more costs on to employees	4.0%
Eliminated defined benefit plan (pension)	2.0%
No longer match employee contributions	2.0%
Reduced match on employee contributions	0.0%
No longer offer retirement benefits	0.0%

RETIREMENT PLAN CONTRIBUTIONS

The following are sample ways employers contribute to employee retirement plans provided by participating organizations:

- Match on the 403(b) plan of 50% of the first 5% of compensation contributed to the plan and DB plan funded annually based on participants.
- 50 cents on every dollar up to 3%. That is a discretionary match so we can change it at any time. We contribute these funds every pay period and employees see their YTD match on each pay stub.
- 50% matchup to 1st 6%
- In the 401(k) plan, we match 50% of a participant's contribution, up to a maximum contribution of 10% of base pay. We also have a profit-sharing "kicker" at the Board's discretion, made in a single contribution at the end of the year, if awarded. The profit-sharing additional match can be up to 5% of a participant's base pay.
- Match to the 401k plan.
- 100% match up to 4% of employees pay.
- Safe Harbor Plan where employer contributes 4% of employee's salary. Employee is eligible to contribute up to 75% of pay.
- We make our match through the Profit Sharing Plan to all associates who make Cornwell successful
- 401K Retirement Plan - Company will match up to 3% of the employee's contribution.
- 25% match on the first 6% of employee contribution to 401k

- Company funds defined benefit pension plan at 2.5% of employee pay Company funds 401k profit sharing plan at 5% of employee pay and matches 75% of employee contributions up to 10%
- Dollar for Dollar match on the first 3% and 50% match on the next 2%
- ER matches 50% of the first 2% of pay then 25% of the next 4% of the EE pay. Total monthly match will be 2% of pay.
- 25% match up to 6%
- Safe Harbor Contribution (3%) as well as end of year discretionary profit sharing contribution.
- 100% match for the first 3% of an employees deferral; 50% match after; Match stops after 5%
- \$.25 for every \$1.00 up to 4% of gross pay
- 25% match on 401(k) contributions up to 6% of salary guaranteed. Additional 25% (50% total) of 6% if we meet our financial goals. Defined benefit plan 4% of salary
- match 401k first 25% of the first 6%
- 401k match = .40 on \$1.00 up to 6% of income. Profit Sharing - company discretion
- Match 50% of employee contributions up to a max of \$700 per year.
- 30% match on the first 10% of an employee's deferral and an annual discretionary profit sharing amount
- Employer match of 25% of up to 6% of the employee's deferral.
- We have both plans. Long term team members are in the defined benefit plan. New hires are in the 401k plan. A percentage is contributed based on age and length of service.
- We utilize an annual discretionary profit-sharing contribution made by the company to those employees who work at least 1000 hours in the plan year and that are still actively employed as of the last day of the plan year.
- Match to 401(k). \$.50 to the \$1.00 on the first 6%.
- 100% match on first 3%, the 50% on next 2%
- 100% company match up to 10%
- 401(k) ER match is up to 6% of the EE contribution, \$.25 on the \$1.00
- There are 2 plans. A voluntary 403(b) with no employer contribution and a discretionary retirement savings plan where the employer contributes annually. The discretionary plan is discretionary for the employer and there is no employee contribution to this plan.

- 3% contribution to all eligible participants.
- Match of 25% of pay up to 6% of pay
- 100% for first 3% contributed and 50% for the next 2% contributed in 401K
- 2% match after one year of continuous service
- percentage of w2 earnings
- Company funds pension. Company matches 50% on first 6% for 401k plan and adds another contribution to 401k as a bonus based on meeting key performance indicators (KPI's).
- We match 50% of an employee's contribution, up to 10% of base salary. We also have a discretionary profit-sharing "kicker" in the plan that allows us to increase this match at year-end, if the company performs very well against our profit plan or other key initiative.
- Match to 401K at 50% for up to 6% of employee contributions
- Lump Sum Profit Sharing Contribution
- Safe Harbor match of up to 4% of the employee's pay
- All employees hired before 5/1/05 are in traditional plan (defined benefit plan). All employees hired after 5/1/05 are on Defined Contribution plan - 4% of salary or wages contributed by co into 401k plan.
- Matches 1/2 up to 3%
- match to the employees' 401(k) contribution
- We match \$.50 per \$1.00 employee contribution, up to a maximum of 5% employee's pay (2.5% company match)

CONCLUSION

In conclusion, employers use a variety of methods of matching their employees' contributions to their retirement plans, most notably through defined contribution plans. Pension plan use continues to decline, as we expect it to in the future. Many employers provide financial planning education on retirement issues for employees and offer other programs including automatic enrollment and phased retirement. While phased retirement was not as widespread, we expect the use of phased retirement to increase as organizations continue to see their talent pools affected by workforce changes in the upcoming future.

For more information, please contact ERC at 440/684-9700.

<u>Participation</u>	
50 organizations	
<u>Size</u>	
1-200 employees	70%
201-500 employees	24%
500+ employees	6%
<u>Industry</u>	
Manufacturing	65%
Non-Manufacturing	35%

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www.ercnet.org
 www.northcoast99.org
 www.erchealth.com

6700 Beta Drive, Suite 300 / Mayfield Village, OH 44143
 phone: 440/684-9700 • fax: 440/684-9760

email: hrhelp@ercnet.org; surveys@ercnet.org; consulting@ercnet.org