

Retirement Plan Participation: Survey of Income and Program Participation (SIPP) Data, *p. 2*

New Publications and Internet Sites, *p. 12*

Executive Summary:

Retirement Plan Participation: Survey of Income and Program Participation (SIPP) Data

- **Work-place retirement plans:** The majority of Americans who have a retirement plan get it through the work-place, and Americans with a retirement plan have significantly more wealth than those without one. Determining who is eligible for and participates in an employment-based retirement plan is the first step toward assessing the adequacy of Americans' retirement savings.
- **Gradual progress:** The most recent federal data offer some encouraging news on retirement plan participation, as a higher percentage of all workers were offered, participated in, and were vested in a retirement plan in 2003 than was measured in the previous survey in 1998.
- **Key measurements,** as determined by the U.S. Census Bureau's most recent Survey of Income and Program Participation (SIPP) data, for 2003 (Topical Module 7), for all workers (public and private sectors) age 16 and over:
 - *Sponsorship level:* 63 percent worked for an employer or union that sponsored a retirement plan in 2003, up from 60 percent in 1998.
 - *Participation level:* 48 percent participated in a plan in 2003, up from 44 percent in 1998 (which was a decrease from 1993).
 - *Vesting rate:* 44 percent say they were entitled to some pension benefit or lump-sum distribution if they left their job, up from 41 percent in 1998.
- **Continuing shift toward defined contribution plans:** The data continue to demonstrate the well-documented shift away from "traditional" defined benefit (DB) pension plans and toward defined contribution (DC) plans: A DC plan was the primary retirement plan for 57.7 percent of participants in 2003, up from 51.5 percent in 1998 and more than double the 1988 level. Correspondingly, 40.5 percent said a DB plan was their primary retirement plan in 2003, down from 46.3 percent in 1998 and 56.7 percent 1988.
- **Worker contributions:** The average employee contribution for workers who participated in a salary reduction (DC) retirement plan was 7.5 percent in 2003, versus 7.4 percent in 1998 and 6.6 percent in 1988. However, as the salary reduction plans have grown in importance for workers, it is likely that their contributions to these plans will need to grow even faster if workers expect to be able to afford to maintain their current lifestyle in retirement.

■ Retirement Plan Participation: Survey of Income and Program Participation (SIPP) Data

by Craig Copeland, EBRI

Introduction

An important component of saving for retirement is the availability and use of an employment-based retirement plan. The majority of Americans who have a retirement plan get it through the workplace, and Americans with a retirement plan have significantly more wealth than those without one.¹ Consequently, determining who is eligible for and participates in an employment-based retirement plan is the first step toward assessing the adequacy of Americans' retirement savings. Other Employee Benefit Research Institute (EBRI) publications have examined the amount of retirement savings necessary to pay for a consistent level of expenditures in retirement.² A key factor in these studies is the percentage and characteristics of American workers with an employment-based retirement plan.

This article presents updated results from the latest Survey of Income and Program Participation (SIPP) data on retirement plan participation.³ SIPP is conducted by the U.S. Census Bureau to examine Americans' participation in various government and private-sector programs that relate to their income and well-being. These latest data are from Topical Module 7 of the 2001 Panel fielded from January–April 2003.⁴ The SIPP data have the advantage of providing relatively detailed information on the retirement plans that workers participate in, but also have the drawback of being fielded only once every five years. In comparison, the Current Population Survey, also conducted by the U.S. Census Bureau, provides overall participation levels of workers on an annual basis but does not provide information on the plan types in which the workers are participating.^{5,6}

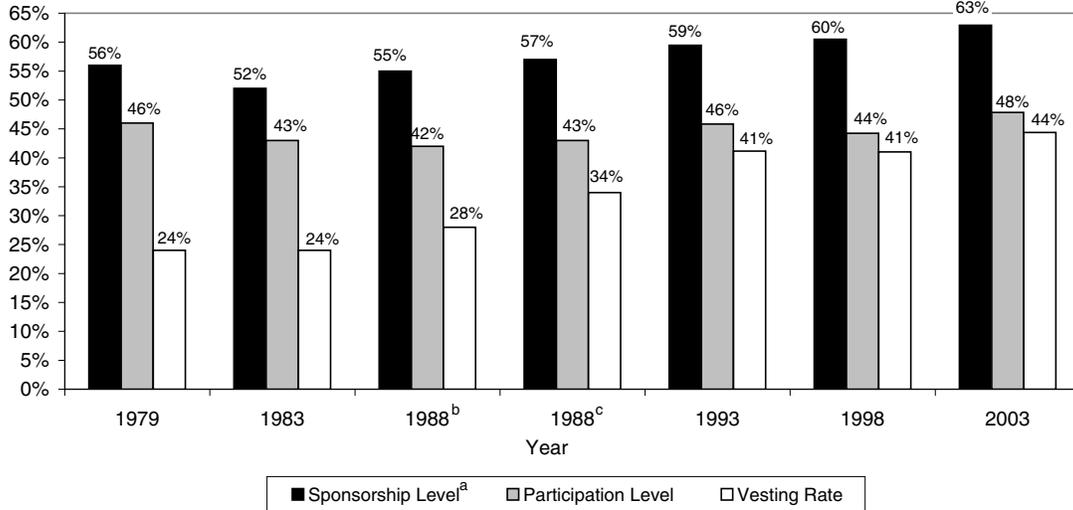
This study provides “top-line” results from the SIPP data on retirement plan participation. A later publication will provide more detailed breakdowns of the data for the results examined here. The overall participation by all workers and nonagricultural wage and salary workers are presented with breakdowns by age, income, and industry of the worker and the worker's employer. The next section investigates the plan type (defined benefit versus defined contribution) that retirement participants regard as their primary (most important) plan. The last section examines participation in and contributions to salary reduction plans (401(k)-type plans). The workers in this study include those from both the private and the public sectors.

All Workers' Participation

The sponsorship level for all workers⁷ for pay ages 16 and over (defined as the fraction of workers whose employer or union sponsors a pension or retirement plan for any of the employees at the workers' place of employment) was 63 percent in 2003, according to SIPP (Figure 1). This is higher than the estimates from the CPS supplements, which ranged from 56 percent in 1979 to 59 percent in 1993, and the 1998 SIPP estimate of 60 percent. The percentage of workers participating in a plan regardless of whether the plan was sponsored at the workers' place of employment (referred to as the *participation level*⁸ in this report) increased to 48 percent in 2003 from 44 percent in 1998 (which was a decrease from 1993), and was also higher than the 1979–1993 levels.

The one statistic that has shown a relatively steady increase since 1979 is the *vesting rate*. The *vesting rate* is the percentage of workers who say they were entitled to some pension benefit or lump-sum distribution if they left their job at the time of, or very near to the time of, their interview by SIPP. This rate increased from 24 percent in 1979 to 41 percent in 1993, and (according to SIPP) remained at 41 percent in 1998, before increasing to 44 percent in 2003. Some of this increase appears to result from follow-up questions added to the 1988 employment benefit supplement, which more clearly measured this issue, but it also appears that other factors were important—such as the increased number of workers participating in defined contribution retirement plans (such as 401(k) plans), where employee contributions are immediately vested, and faster vesting requirements that have been imposed since 1979.^{9, 10}

Figure 1
Trends in Retirement Plan Sponsorship,^a Participation, and Vesting Rates Among Civilian Workers for Pay, Age 16 and Over, 1979, 1983, 1988, 1993, 1998, and 2003



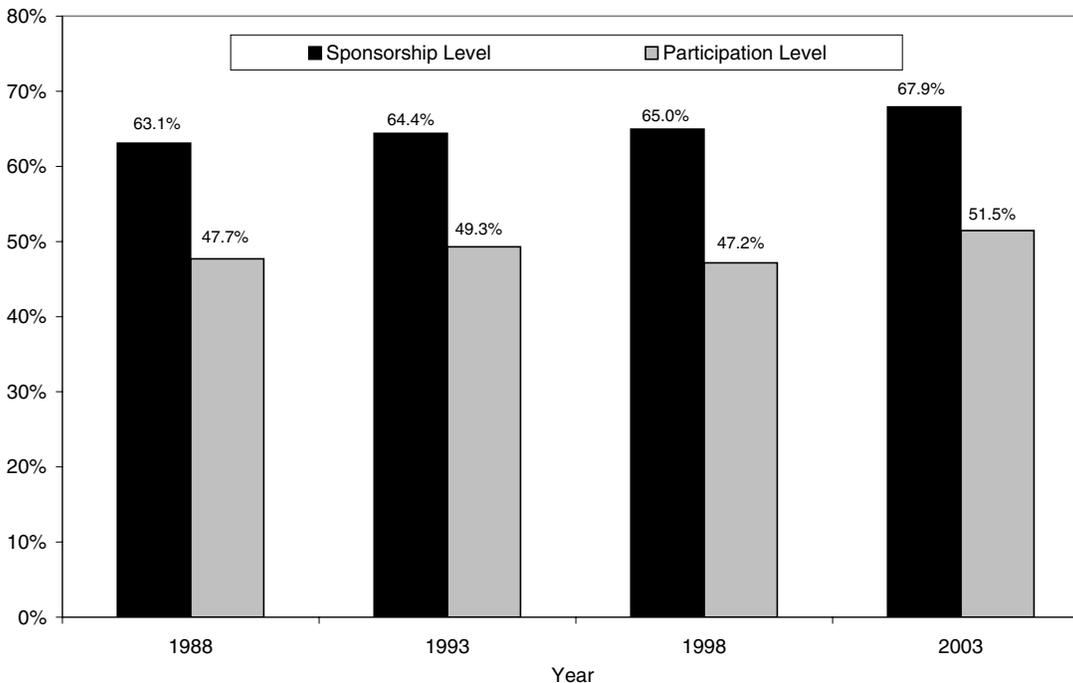
Source: Employee Benefit Research Institute estimates of the May 1979, May 1983, May 1988, and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

^a The fraction of workers whose employer or union sponsors a plan for any of the employees at the worker's place of employment.

^b Workers who reported that their employer or union did not have a pension plan or retirement plan for any of its employees were not counted as working for an employer where a plan was sponsored, even if they reported that their employer offered a profit-sharing plan or a stock plan in a followup question. Participants who reported not being able to receive some benefits at retirement if they were to leave the plan now were not counted as vested, even if they later responded that they could receive a lump-sum distribution if they left their plan now. This allows comparability with the tabulations from earlier years.

^c Workers who reported that their employer or union did not have a pension plan or retirement plan for any of its employees were counted as working for an employer where a plan was sponsored if they reported that their employer offered a profit-sharing plan or a stock plan in a followup question. Participants who reported not being able to receive some benefits at retirement if they were to leave the plan now were counted as vested, if they later responded that they could receive a lump-sum distribution if they left their plan now. This allows comparability with the tabulations from later years.

Figure 2
Retirement Plan Sponsorship and Participation Among Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, 1988, 1993, 1998, and 2003



Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Survey of Income and Program Participation Topical Module 7.

Nonagricultural Wage and Salary Workers

The remainder of this study is restricted to nonagricultural wage and salary workers ages 16 and over, as these are the workers who define the population of most interest for employment-based retirement plan participation.¹¹ Among these workers, 51.5 percent participated in a pension or retirement plan 2003, the highest level recorded over the study period (just as it was for all workers). This compares with just over 47 percent in 1998, 49.3 percent in 1993, and 47.7 percent in 1988 (Figure 2).¹² However, the level of participation varied greatly across various worker demographic and employer characteristics.

Age—The level of participation in a retirement plan increased with the age of the worker through age 60, then decreased. In 2003, 5 percent of 16–20-year-old workers participated in a retirement plan, while 65 percent of 51–60 year olds did so (Figure 3). For workers above age 60, the level of participation decreased, reaching 28 percent for those age 65 or older. This overall trend has been consistent over the 15 years in the study. In 2003, all but the youngest workers had a higher level of participation compared with 1998, and most age groups were at or near their highest levels of the 15-year period.

Income—As a worker's income¹³ increased, the likelihood that he or she participated in a retirement plan also increased. For those making less than \$5,000 annually in constant 1993 dollars in 2003, 13 percent participated in a retirement plan, compared with 79 percent of those making \$50,000 or more in 1993 dollars (Figure 4). Workers' participation levels in 2003 were higher in all income categories, relative to 1998. For the lowest income groups, the 2003 participation levels were the highest over the 15-year period. For the higher income groups, the 2003 participation levels were also higher than in 1998, but overall were lower than in the pre-1998 study period.

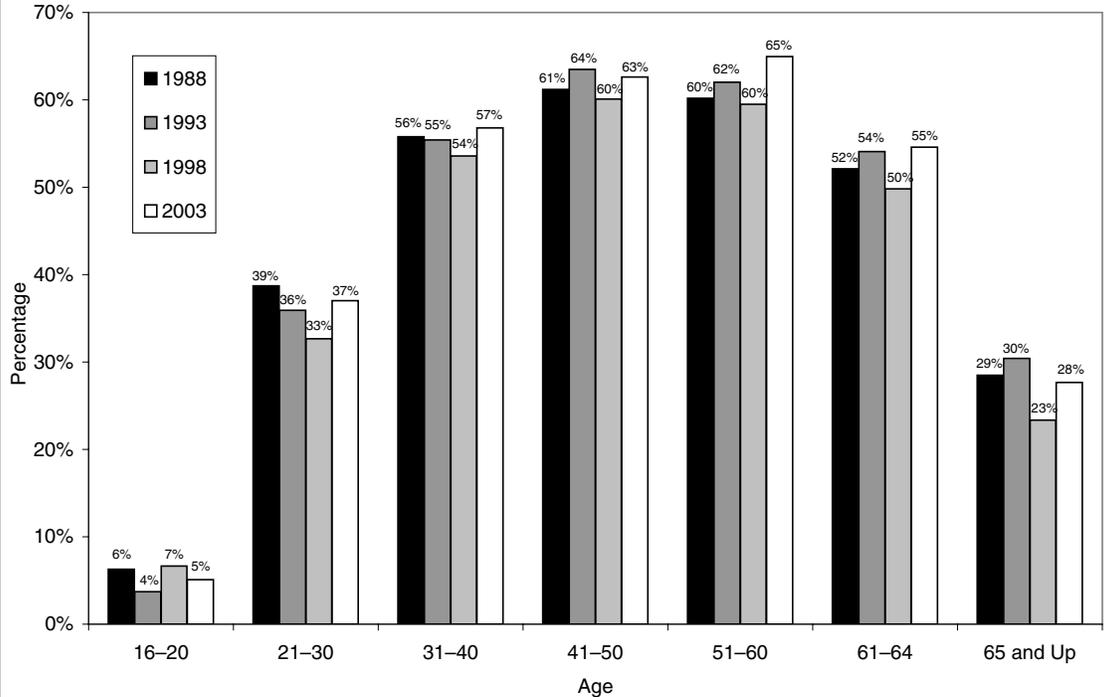
Industry—In 2003, participation in the private sector ranged from a low of 30 percent for workers in the retail trade sector to highs of 66 percent and 64 percent for those in the mining and manufacturing industries, respectively, compared with 74 percent for public-sector workers (Figure 5). Workers in all industries had a higher likelihood of participating in a retirement in plan in 2003 than in 1998. Except for workers in the mining; transportation, communications, and utilities; and public-sector industries, the level of participation was at its highest level over the 15 years.

Primary Plan Types

Workers' knowledge of their pension or retirement plans has been shown to be quite limited.¹⁴ Furthermore, workers' perceptions of what they consider to be their most important plan can also vary tremendously (among larger employers, it is common for workers to be covered by both a defined benefit pension plan and a defined contribution retirement plan, such as a 401(k), and one or the other could be identified as the primary plan). In SIPP, participants are asked about their most important pension or retirement plan: The question asks if your plan's "benefit is defined by a formula usually involving your earnings and years on the job," are "contributions made by you and/or your employer going into an individual account for you," or if "your employer contributes a value equal to a percent of your earnings each year and there is a rate of return on that contribution. This type of plan is sometimes called a cash balance plan." The first (as well as the third) describes a defined benefit plan, while the second describes a defined contribution plan. The survey also contains follow-up questions describing specific features of the most important plan.¹⁵ In some cases, the answers are in conflict with the type of plan that the worker has. Consequently, the estimates of the pension/retirement plan type in this study combine answers from these questions to determine the type of workers' most important (or primary) plan.¹⁶

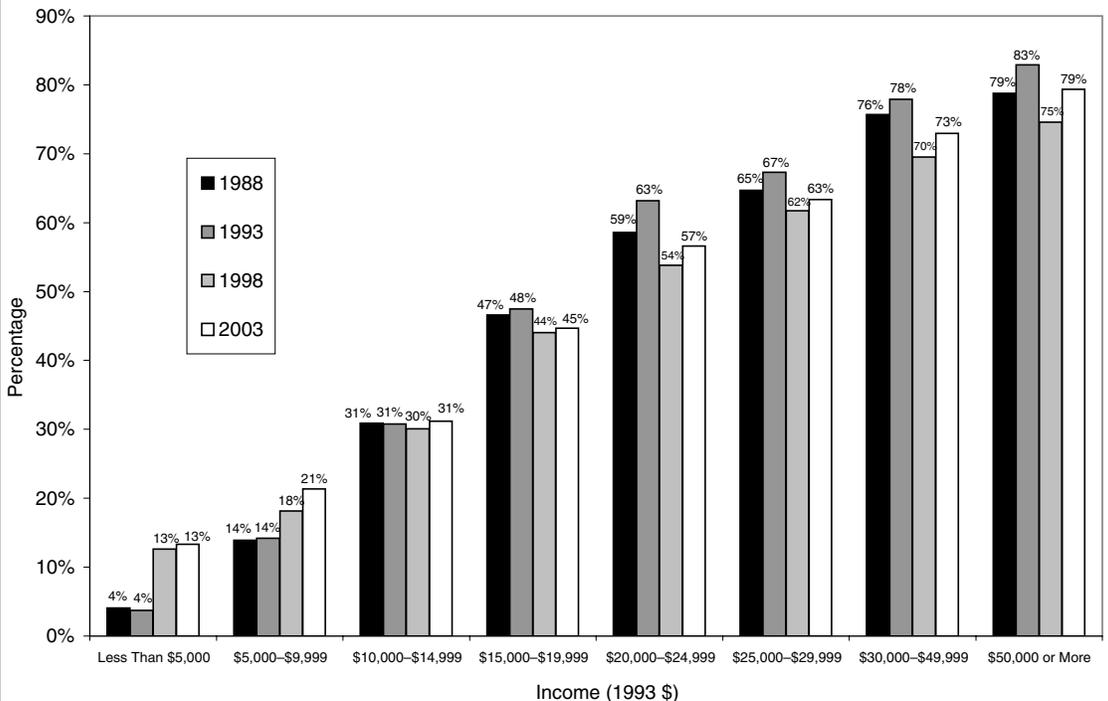
When follow-up questions were asked about the initial pension type question, 57.7 percent of participants were determined to have a defined contribution plan as their primary plan in 2003 (Figure 6),¹⁷ which is larger than the 51.5 percent found in 1998 and more than double the level found in 1988. Correspondingly, a smaller percentage of workers had a defined benefit plan as their primary plan: 40.5 percent said a defined benefit plan was their primary retirement plan in 2003, compared with 46.3 percent in 1998.¹⁸ Similarly, this is substantially lower than the 1988 level of 56.7 percent of participants who reported a defined benefit plan as their primary plan.

Figure 3
Trends in Retirement Plan Participation Levels Among Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, 1988, 1993, 1998, and 2003



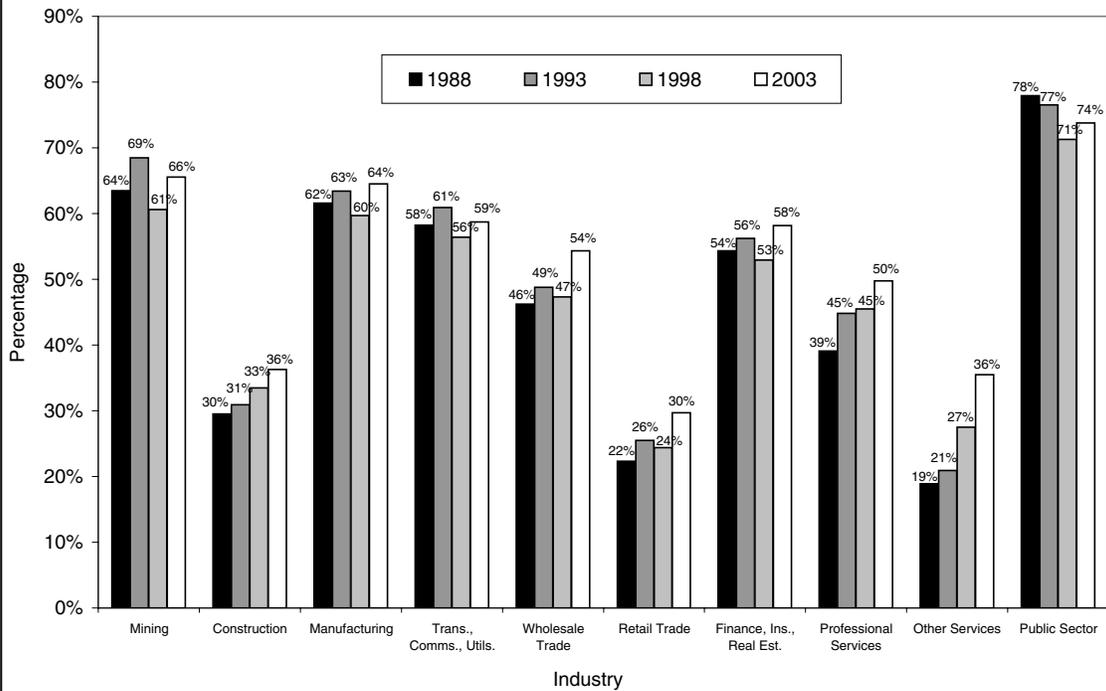
Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure 4
Trends in Retirement Plan Participation Levels Among Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, by Annual Earnings in 1993 Dollars, 1988, 1993, 1998, and 2003



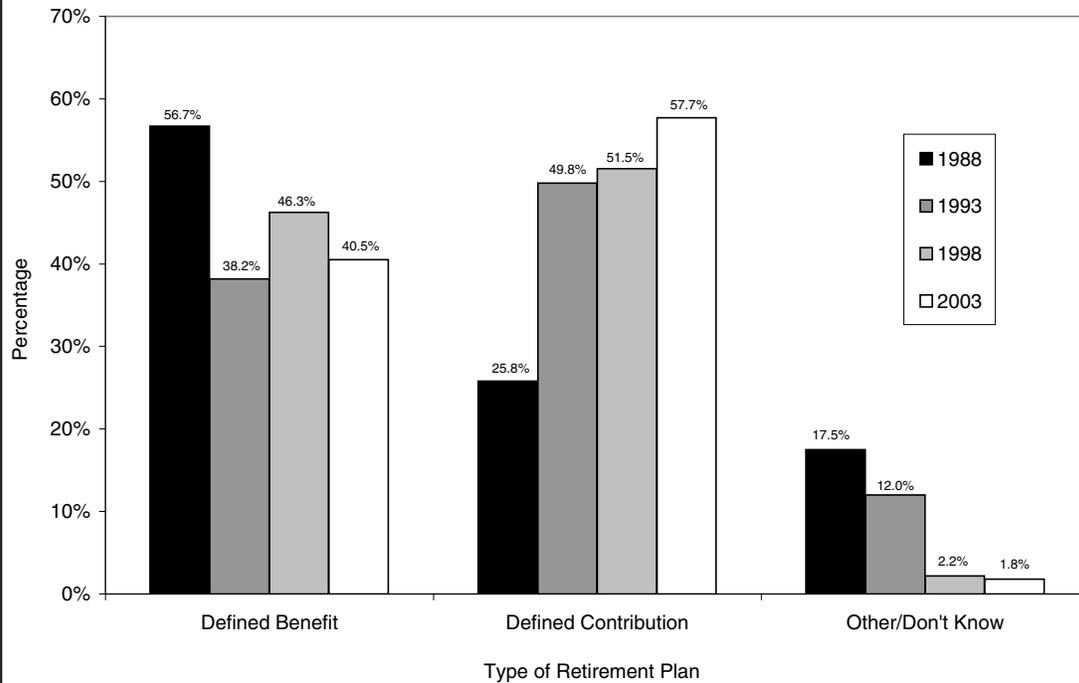
Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure 5
Trends in Retirement Plan Participation Levels Among Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, by Industry, 1988, 1993, 1998, and 2003



Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure 6
Primary Retirement Plan Among All Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, Who Participated in a Retirement Plan, 1988, 1993, 1998, and 2003



Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Salary Reduction Plans

Retirement plans such as 401(k) plans or 403(b) plans are referred to as salary reduction plans, as a worker's take-home pay can be used (reduced) to make contributions to the plan.¹⁹ These plans are the primary type of defined contribution retirement plan. The sponsorship level for nonagricultural wage and salary workers ages 16 and over was 49.9 percent in 2003, a steady increase from the 1998 rate of 45.9 percent and the 1988 rate of 26.9 percent (Figure 7).²⁰ The participation level in these plans for these workers (34.9 percent) was also higher in 2003, compared with 15.3 percent in 1988, 23.8 percent in 1993, and 29.1 percent in 1998. In addition, 28.3 percent of nonagricultural wage and salary workers 16 and over had a salary reduction plan that they considered as their primary retirement plan in 2003, compared with just 7.5 percent in 1988.²¹

Employee Contribution Rates—As the participation level in salary reduction plans (and their status as a worker's primary plan) has increased, the average employee contribution for workers who reported an employee contribution²² to these plans was again slightly higher in 2003, at 7.5 percent versus 7.4 percent in 1998, 7.1 percent in 1993, and 6.6 percent in 1988 (Figure 8).²³ Even with the increase in the percentage being contributed, the distribution of the contribution rates has held basically steady, except for an increase in the percentage contributing more than 10 percent from 1993 to 2003 (Figures 9 and 10). However, combining the high contributors—those who contributed 10 percent and those who contributed more than 10 percent—produces only a small percentage increase. Furthermore, the percentages contributing 5 percent or less and between 5 percent and 10 percent were virtually unchanged across the years.

Conclusion

The results from the SIPP data offer some encouraging news on retirement plan participation, as a higher percentage of all workers were participating in a plan (48 percent in 2003 vs. 44 percent in 1998). The data continue to demonstrate the well-documented shift away from “traditional” defined benefit pension plans and toward defined contribution plans (mainly the 401(k) plan), and employee contribution levels to salary reduction plans have held steady or slightly increased. However, as the salary reduction plans have grown in importance for workers, it is likely that their contributions to these plans will need to grow even faster if workers expect to be able to afford to maintain their current lifestyle in retirement.

While the top-line results include overall positive findings (with increased participation and a greater likelihood that a participant will have already accumulated some level of benefit), they do not show which workers are more or less likely to participate in a plan. Furthermore, even with the increased likelihood of having a retirement benefit, these results do not indicate what participants will do with the benefits once they leave their jobs, such as rolling the benefit over to another tax-deferred retirement account or cashing out the benefit as a lump sum. A future EBRI publication will examine these more detailed issues.

Endnotes

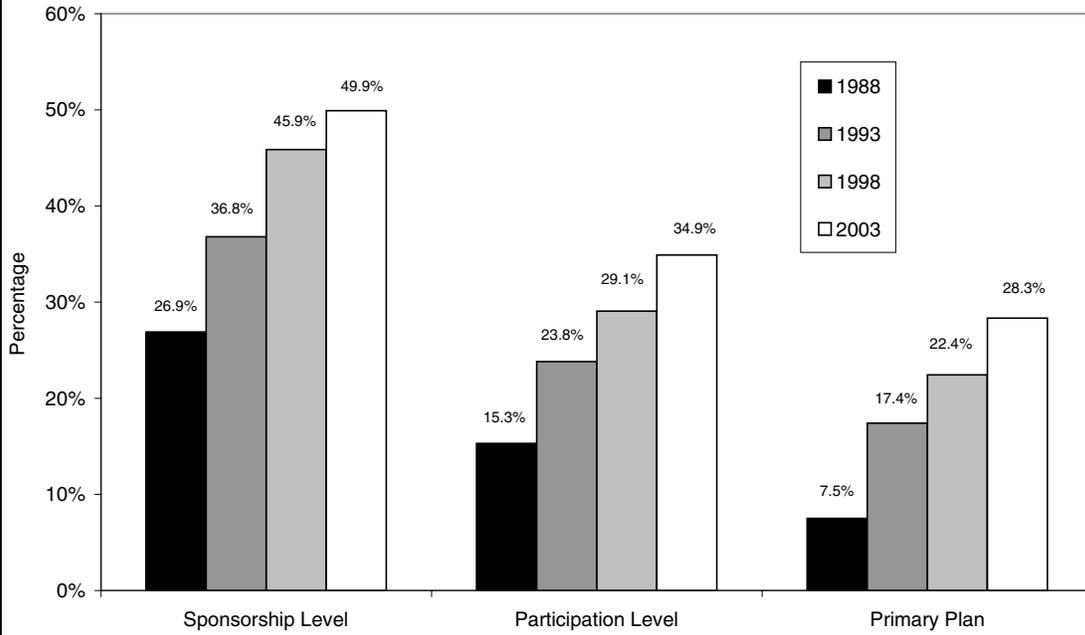
¹ See Craig Copeland, “Individual Account Retirement Plans: An Analysis of the 2001 Survey of Consumer Finances.” *EBRI Issue Brief* no. 259 (Employee Benefit Research Institute, July 2003); and Craig Copeland, “Retirement Accounts and Wealth, 2001,” *EBRI Notes*, no. 5 (Employee Benefit Research Institute, May 2004): 5–2.

² See Jack VanDerhei and Craig Copeland, “Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model.” *EBRI Issue Brief* no. 263 (Employee Benefit Research Institute, November 2003).

³ See Craig Copeland, “An Analysis of the Retirement and Pension Plan Coverage Topical Module of SIPP.” See also *EBRI Issue Brief* no. 245 (Employee Benefit Research Institute, May 2002) for an analysis of the prior SIPP data on this topic.

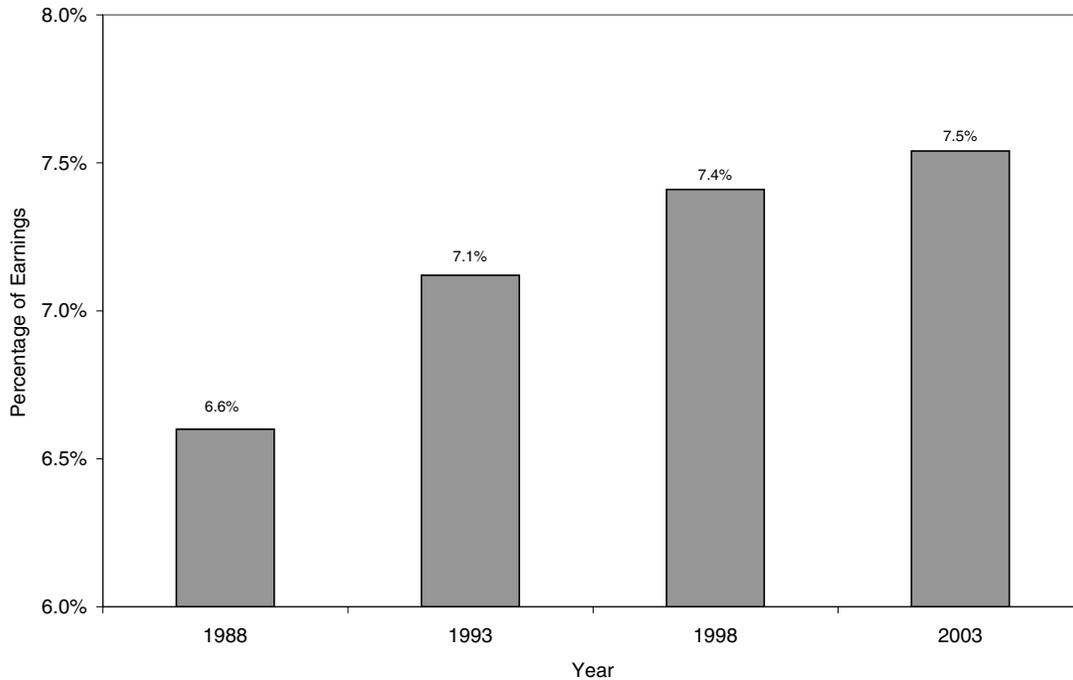
⁴ The 2001 Panel of the Survey of Income and Program Participation (SIPP), conducted by the U.S. Census Bureau, follows the same households for a three-year period, asking various questions on their economic and demographic status. Survey participants are interviewed at four-month intervals about a core set of demographic and economic issues. In addition, topical modules ask more specific questions about important economic issues. Topical Module 7, fielded in January–April 2003, asked questions about workers' participation in retirement and/or pension plans. These types of questions had been asked previously in the employee benefit supplements to the Current Population

Figure 7
Salary Reduction Plan Sponsorship Level, Participation Level, and Primary Plan Percentage Among Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, 1988, 1993, 1998, and 2003



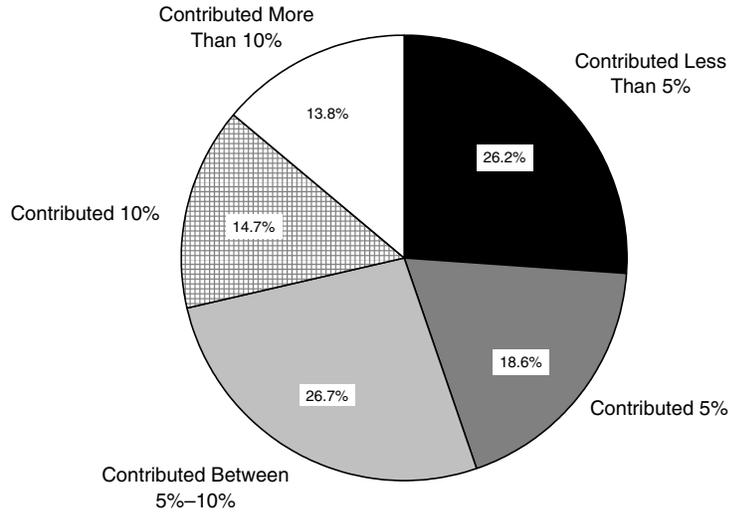
Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure 8
Average Percentage of Annual Earnings Contributed to a Salary Reduction Plan, Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, 1988, 1993, 1998, and 2003



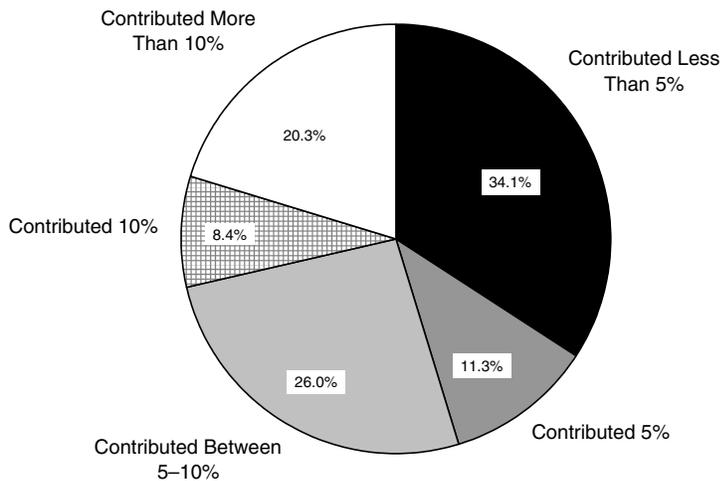
Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure 9
Proportion of Salary Reduction Plan Participants, by Percentage of Annual Earnings Contributed (Among Those Responding), Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, 1993



Source: Employee Benefit Research Institute estimates of the April 1993 Current Population Survey employee benefit supplement.

Figure 10
Proportion of Salary Reduction Plan Participants, by Percentage of Annual Earnings Contributed (Among Those Responding), Civilian Nonagricultural Wage and Salary Workers, Age 16 and Over, 2003



Source: Employee Benefit Research Institute estimates of the 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Survey (CPS) in May 1979, May 1983, May 1988, and April 1993 prior to their inclusion in SIPP in the 1996 Panel. While these data sets have similar questions, they are not identical nor are the methods the surveys use—for instance, the CPS interviewed all of its respondents in a single month, while SIPP was conducted over a four-month period. The results in this *Notes* article are presented as trends, but caution should be used when drawing conclusions from the results due to the survey differences. Typically, different surveys yield different results. Therefore, while certain trends can be ascertained, it is important to note that a portion or all of any trend may be due to the differences in the surveys. However, the data for 1998 and 2001 are both from SIPP, so the differences from 1998 to 2003 should not be driven by survey differences. Despite these caveats, these datasets provide the most comparable results for these trends.

⁵ The Current Population Survey is conducted by U.S. Census Bureau for the Bureau of Labor Statistics by interviewing about 50,000 households and asking numerous questions about individuals' work status, employers, income, and basic demographic characteristics. Furthermore, CPS has asked questions in a consistent manner each March since at least 1988 about whether a worker worked for an employer or union that sponsored a pension or retirement plan for any of its employees, and then if the worker was included in that plan.

⁶ See Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends," *EBRI Issue Brief* no. 274 (Employee Benefit Research Institute, October 2004) for the latest results from CPS on employment-based retirement plan participation.

⁷ In this section, all workers for pay ages 16 and over were included; this means all self-employed workers, whether their business was incorporated or not, were included. However, any workers who were family workers not working for pay were excluded. For the SIPP Topical Module, the worker's main job or business is determined by which job provided the most income in the reference month. However, some important characteristics of this job or business are not included in the topical module but in the core portion of the survey. If a job was determined to be the most important in the topical module, information from the *first* job of the worker from the core is used for the employer/job characteristics (firm size, industry, union covered job, hours of work) of this worker in this study. Furthermore, if the business is determined to be the most important, the *first* business of the worker from the core is used for characteristics of the business in this analysis. Likewise, if the worker is determined to only work for others or to only have a business, the first job or business data (respectively) is used to provide data on the employer or business characteristics.

⁸ The participation level for workers is calculated by determining all workers who say they participate in a pension or retirement plan in their main job/business *or* other job during the reference period of the survey. This includes anyone who answered no to the first question about participating in a pension or retirement, but answered yes in a follow-up question to participating in a plan similar to a 401(k) plan. In addition, to be consistent with previous estimates of the participation rate, any unincorporated self-employed individuals who own and contributed to an individual retirement account (IRA) or Keogh plan in 2002 are considered to have a retirement plan through their place of employment. In the next set of results, where only wage and salary workers were examined, unincorporated self-employed workers are excluded from the analysis, so IRA or Keogh ownership is not considered in those results. Some self-employed workers were not asked if they were incorporated if they did not earn more than \$2,500 in the previous year or did not expect to earn more \$2,500 in the next year. These workers were assumed to be unincorporated self-employed workers.

⁹ Both the Tax Reform Act of 1986 and the Economic Growth and Tax Relief Reconciliation Act of 2001 shortened the required vesting schedule for private-sector employment-based retirement plans.

¹⁰ The two sets of numbers presented for 1988 show the impact of these follow-up questions and potentially the increased numbers of defined contribution plans on the vesting rate. Without the follow-up questions on lump-sum distributions, the vesting rate in 1988 was 28 percent, compared with 34 percent with the follow-up question. Thus, better data do not seem to be the only explanation for the increased vesting rate since 1979.

For background on the changes in the data that account for these two numbers, the first set of numbers presented in Figure 1 omits the impact of follow-up questions (so as to compare with earlier periods that did not have those questions), while the second set of numbers presented do include the follow-up questions (so as to better account for the presence of defined contribution plans). Specifically, in the first set of numbers, workers who reported that their employer or union did not have a pension plan or retirement plan for any of its employees were not counted as working for an employer where a plan was sponsored, even if they reported that their employer offered a profit-sharing plan or a stock plan in a follow-up question. Furthermore, participants who reported not being able to receive some benefits at retirement if they were to leave the plan now were not counted as vested, even if they later responded that they could receive a lump-sum distribution if they left their plan now. Workers who reported that their employer or union did not have a pension plan or retirement plan for any of its employees were

counted in the second set of numbers as working for an employer where a plan was sponsored if they reported that their employer offered a profit-sharing plan or a stock plan in a follow-up question. Moreover, participants who reported not being able to receive some benefits at retirement if they were to leave the plan now were counted as vested in the second set of numbers if they later responded that they could receive a lump-sum distribution if they left their plan now. Furthermore, if they were included in the profit-sharing or stock plan in the 1988 follow-up question or participated in a 401(k)-type plan from the 1993 and SIPP follow-up question, they were considered vested, since these types of plans provide lump-sum distributions.

¹¹ This section will focus only on the 1988, 1993, 1998, and 2003 results, as they are derived using relatively consistent follow-up questions. Furthermore, unincorporated self-employed workers are excluded (as explained in endnote 7), while incorporated self-employers are included. Those workers who are determined to work in the agricultural industry from their most important job or business, respectively, are also excluded. This work force includes only the workers who would be subject to their employer agreeing to offer a plan instead of being able to make their own decision (such as the self-employed) or are highly seasonal (such as those in the agricultural industry).

¹² This contradicts findings from Copeland, October 2004, *op. cit.*, that showed a decrease in the percentage of wage and salary workers ages 21–64 participating in a pension or retirement plan through an employment-based arrangement from 1998 to 2003. The results also contradict each other from 1993 to 1998, where this study shows a decreased level of participation, whereas Copeland, 2004, showed an increased level. It is unclear why this difference exists between these studies, but the other study used a consistent data source, whereas the results from this *Notes* article derive from different data sources. Some possible answers include the issues from endnote 4, as well as which job is determined to be primary or the type of worker as classified by the different surveys. Furthermore, a similar issue has arisen in the estimation of the percentage of Americans with health insurance when comparing the results from both surveys, particularly with regard to the time frame being asked about in the interview. See Paul Fronstin, “Counting the Uninsured: A Comparison of National Surveys,” *EBRI Issue Brief* no. 225 (Employee Benefit Research Institute, September 2000) for further comparisons between the surveys.

¹³ In SIPP, only monthly earnings are given. Consequently, the earnings had to be annualized by multiplying by 12 for comparisons with the past surveys. This creates issues for those workers who have uneven earnings during the year, but in most cases the monthly earnings are reflective of the earnings for all months during the year. In addition, all income figures are in 1993 dollars, so all of the 1998 and 2003 income amounts were adjusted appropriately for the intervening inflation between 1993 and 2003. Using the consumer price index (CPI), the dollars in 1993 would have to be multiplied by 1.2339 to have constant 2003 dollars, so the upper bound for the lowest income group would be \$6,168 in 2003 dollars, for the next lowest income group the upper bound would be \$12,338 in 2003 dollars, etc.

¹⁴ See Alan L. Gustman and Thomas L. Steinmeier, “Imperfect Knowledge, Retirement, and Saving,” paper presented at The Third Annual Conference of the Retirement Research Consortium, *Making Hard Choices About Retirement*, Washington, DC, May 17–18, 2001.

¹⁵ Some follow-up questions are asked about the most important plan only if the participant reports that tax-deferred contributions can be made to the plan.

¹⁶ If the questions are not combined and only the pension plan-type question is used, 51.0 percent reported that their primary plan was a defined benefit plan (plan based on earnings and years on the job or cash balance plan), compared with 43.3 percent who said it was a defined contribution plan (individual account plan). The remainder was indeterminate from this variable. However, estimates from the 1999 Form 5500s, which all private-sector pension/retirement plan sponsors must file with the IRS, show that approximately 45 percent of private-sector workers in a retirement plan had a defined benefit plan, not necessarily considered the primary plan by the participant. See U.S. Department of Labor, Employee Benefits Security Administration, *Private Pension Plan Bulletin: Abstract of 1999 Form 5500 Annual Reports*, No. 12 (Summer 2004), available at www.dol.gov/ebsa/pdf/1999pensionplanbulletin.pdf. No evidence or data suggest that the trend away from participating in defined benefit plans has reversed itself in the private sector. In fact, the evidence seems to show a continuation of the shift. Consequently, considering that these numbers are inconsistent with other data sources and are in conflict with descriptive data about the plans, adjustments to the plan types are undertaken in this study. See endnote 17 for a description of the adjustments to the data for primary plan determination.

¹⁷ In the determination of primary plan status, the answer to the “plan type” question was the initial classification. However, anyone who answered that their most important plan allowed tax-deferred contributions *and* that their employer’s contributions depended upon the workers’ contributions, that they had the ability to choose how any of the money in the plan was invested, or that they had taken or could take a loan from their plan (characteristics

virtually exclusive to defined contribution plans in the private sector) were added to the defined contribution category, if they were not already there for those in the private sector. Moreover, anyone saying their benefit was affected by their participation in the Social Security program was classified as having a defined benefit plan. Lastly, anyone who did not answer they participated in a plan until the follow-up question on participating in a tax-deferred plan was considered to have a defined contribution plan.

¹⁸ This is consistent with findings from Craig Copeland, July 2003, op. cit. In this study, the percentage of families with a defined benefit plan only was found to have decreased from 40 percent in 1992 to 19.5 percent in 2001.

¹⁹ These plans have also been referred to as 401(k)-type plans in other EBRI publications. For example, see Craig Copeland, July 2003, op. cit. The contributions could be either before or after the calculation of income taxes.

²⁰ The sponsorship level is defined as the fraction of workers whose employer or union sponsors a salary reduction plan for any of the employees at the workers' place of employment.

²¹ These percentages include as a base both the workers with a retirement plan and those without a plan. Therefore, of those with a plan, 55.0 percent had a salary reduction plan as their primary retirement plan in 2003, compared with 15.7 percent in 1988.

²² Not all salary reduction plan participants had complete data needed for calculating this number, either because the earnings or the contributions were not determinable. Just over 11 percent of the sample of salary reduction participants is eliminated because of this issue.

²³ In a very large database of 401(k) plan participants, Sarah Holden and Jack VanDerhei, "Contribution Behavior of 401(k) Plan Participants," *EBRI Issue Brief* no. 238 (Employee Benefit Research Institute, October 2001) found the average before-tax contribution rate to be 6.8 percent in 1999. While this number is close to the number reported in this study, there are two explanations for the difference: (1) in the Holden and VanDerhei study, only 401(k) participants are examined, whereas the SIPP data do not separate the salary reduction plan-type participants; (2) participants could also have made after-tax contributions to salary reduction plans that were excluded in the Holden and VanDerhei study but not from the SIPP data.

■ New Publications and Internet Sites

Compensation

WorldatWork. *Salary Budget Survey, 2005-2006*. WorldatWork members, \$135; nonmembers, \$189. A downloadable pdf version is available for this book instead of a printed copy, WorldatWork members, \$122.50; nonmembers, \$170. WorldatWork, Attn: Customer Relations, 14040 N. Northsight Blvd., Scottsdale, AZ 85260, (877) 951-9191, www.worldatwork.org

Employee Benefits

DeScherer, Dorinda D., and Terence M. Myers. *Employee Benefits Answer Book*. Eighth Edition (includes 2005 Cumulative Supplement). \$209. Aspen Publishers, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705-9727, (800) 638-8437, www.aspenpublishers.com

Hewitt Associates. *Benefit Programs for Domestic Partners and Same-Sex Spouses, 2005*. \$200. Hewitt Associates LLC, Attn: Hewitt Information Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 771-2500, infodesk@hewitt.com, www.hewitt.com

ERISA

Fountain, Sharon F., and Michael G. Kushner. *ERISA: The Law and the Code*. 2005 Edition. \$115 + S&H. BNA Books, PO Box 7814, Edison, NJ 08818-7814, (800) 960-1220, fax: (732) 346-1624, www.bnabooks.com

Health Care

American Hospital Association. *AHA Hospital Statistics*. 2005 Edition. AHA members, \$155; nonmembers, \$235. American Hospital Association, P.O. Box 92683, Chicago, IL 60675-2683, (800) 242-2626, fax: (312) 422-4505, www.ahaonlinestore.com

BISYS Retirement Services. *Desktop Guide to Health Savings Accounts*. \$14.95. BISYS Retirement Services, P.O. Box 979, Brainerd, MN 56401, (800) 346-3860, fax: (218) 825-5010, www.bisysretirement.com

Pension Plans/Retirement

Hewitt Associates. *Trends and Experience in 401(k) Plans, 2005*. \$350. Hewitt Associates LLC, Attn: Hewitt Information Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 771-2500, infodesk@hewitt.com, www.hewitt.com

Reference

Omnigraphics, Inc. *Web Site Source Book 2005*. \$160. Omnigraphics Customer Service, PO Box 625, Holmes, PA 19043, (800) 234-1340, fax: (800) 875-1340, www.omnigraphics.com

Social Security

Bonoli, Giuliano, and Toshimitsu Shinkawa. *Ageing and Pension Reform Around the World: Evidence from Eleven Countries*. \$120. Edward Elgar Publishing Inc., 136 West St., Suite 202, Northampton, MA 01060-3711, (413) 584-5551, fax: (413) 584-9933, e-mail: kwight@e-elgar.com, www.e-elgar.com

Roth 401(k) Sites

Aon Consulting

www.aon.com/about/publications/issues/2005_forum_july_roth_401.jsp

Bureau of National Affairs

www.bnatax.com/tm/insights_401K3.htm

Hewitt Associates

was4.hewitt.com/hewitt/resource/legislative_updates/united_states/roth_401k.htm

Roth 401(k) Calculator

www.lkravitz.com/roth/

Roth 401(k) Web Site

www.roth401k.com/

U.S. Department of the Treasury

www.treas.gov/press/releases/reports/rothproposed.pdf

Web Documents

2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds

www.socialsecurity.gov/OACT/TR/TR05/

2005 Annual Report of the Boards of Trustees of the Hospital Insurance and Supplementary Medical Insurance Trust Funds

www.cms.hhs.gov/publications/trusteesreport/default.asp?

401(k) Plans: Boosting Participation and Participant Contributions

www.watsonwyatt.com/us/pubs/insider/showarticle.asp?ArticleID=14192&Component=The+Insider

Aon Consulting/ISCEBS Survey Shows Consumer-Driven Health Plans Becoming More Popular
www.iscebs.org/PDF/cdhcsrvy05.pdf

DOL Issues USERRA Notice - Requirement in Effect for Employers
www.mellon.com/hris/pdf/fyi_03_11_05b.pdf

Employers Confront Growing Confusion over Partner Benefits
www.shrm.org/rewards/news_published/CMS_011767.asp#P-4_0

Field Assistance Bulletin 2004-02, "Fiduciary Duties and Missing Participants in Terminated Defined Contribution Plans"
www.dol.gov/ebsa/regs/fab_2004-2.html

Final and Proposed Regulations for HIPAA
www.watsonwyatt.com/us/pubs/insider/showarticle.asp?ArticleID=14329&Component=The+Insider

Flexible Spending Accounts: Making a Good Deal Better
www.ncpa.org/pub/ba/ba496/ba496.pdf

The Health Care Safety Net We Want and Need
www.cahi.org/cahi_contents/resources/pdf/n128safetynt.pdf

How America Saves: A Report on Vanguard Defined Contribution Plans 2004
https://institutional4.vanguard.com/iip/pdf/CRR_HAS_2004.pdf

IRA Ownership in 2004
www.ici.org/issues/ret/fm-v14n1.pdf

Labor Department Proposes Rules To Help Workers in Abandoned 401(k) Plans
www.dol.gov/ebsa/pdf/pr030905.pdf

Managing Health Care Costs in a New Era: 10th Annual National Business Group on Health/Watson Wyatt Survey Report 2005 [Executive Summary]
www.watsonwyatt.com/research/resrender.asp?id=w-821&page=1

Medicare: Next Steps
www.actuary.org/pdf/medicare/next_feb05.pdf

Medicare's Effect on COBRA
www.bnatax.com/tm/insights_COBRA.htm

More Americans Willing to Limit Physician-Hospital Choice for Lower Medical Costs
www.hschange.org/CONTENT/735/735.pdf

Options to Balance Social Security Funds Over the Next 75 Years
www.nasi.org/usr_doc/SS_Brief_18.pdf

Pension Benefit Guaranty Corporation (PBGC) 2004 Annual Report
www.pbgc.gov/docs/2004_annual_report.pdf

Phased Retirement Programs Get a Lift from IRS

www.towers.com/towers/webcache/towers/TP_Monitor/jsp/showdoc.jsp?webc=TP_Monitor/2005/01/articles/mon_article_0105b.htm

Pressure Building at State Level to Compel Employers to Provide Health Insurance Coverage
www.hrpolicy.org/memoranda/2005/05-33_State_Mandate_PB.pdf

Retirement Security: The Unfolding of a Predictable Surprise
www.ssab.gov/NEW/documents/RetirementSecurityMarch11.pdf

Rising Benefit Costs Crowd Out Wage Growth
www.epf.org/pubs/factsheets/2005/fs20050331.pdf

SIMPLE IRA Plans for Small Businesses
www.dol.gov/ebsa/pdf/simpleIRA.pdf

Sixth Annual Transamerica Small Business Retirement Survey
www.ta-retirement.com/thecenter/tcrs_content_viewer.aspx?id=815

Status of the Social Security and Medicare Programs: A Summary of the 2005 Annual Reports
www.socialsecurity.gov/OACT/TRSUM/trsummary.html

Survey on the Prevalence of Traditional and Hybrid Defined Benefit Pension Plans
www.soa.org/ccm/content/areas-of-practice/retirement-pension/research/surv-of-prevalence-of-trad-and-hybrid-db-pen-plans/?printerFriendly=1

Taking Control: A Strategy for U.S. Health Care in the 21st Century
[www.ey.com/global/download.nsf/US/Automotive_Health_Care_Traction_Winter2005/\\$file/Automotive_Health_Care_Traction_Winter2005.pdf](http://www.ey.com/global/download.nsf/US/Automotive_Health_Care_Traction_Winter2005/$file/Automotive_Health_Care_Traction_Winter2005.pdf)

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