

**Department of Labor**  
**Details of Plan Generosity Among 401 (k) Plans Having Employer**  
**Matches 2002-2003**

*This project provides new measures of the generosity of the 401 (k) plans provided by private employers in the United States in the calendar years 2002 and 2003, using the microdata collected as part of the Bureau of Labor Statistics' National Compensation Survey (NCS).*

**Lead Agency:**

United States Bureau of Labor Statistics

**Agency Mission:**

Providing impartial, timely, and accurate data relevant to the social and economic conditions of our Nation, its workers, and their families.

**Principal Investor:**

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**General Description:**

This project provides new measures of the generosity of the 401 (k) plans provided by private employers in the United States in the calendar years 2002 and 2003, using the microdata collected as part of the Bureau of Labor Statistics' National Compensation Survey (NCS). With the ongoing transformation of employer-provided retirement benefits from a predominance of traditional Defined Benefit pensions to a concentration on optional, Defined Contribution plans now almost three decades old, understanding the generosity of these types of employer benefits is more and more important. Yet, much of what is known about these plans originates from small, non-representative surveys and household surveys whose potential for inaccuracy is oft cited. Regular BLS publications use NCS to provide useful descriptive information about Defined Contribution plans, but the complexity and variability of the plans prevents such publications from going into comprehensive detail on the generosity of 401 (k) plans. This project provides many of these needed details.

The generosity of the predominant type of 401 (k) plans is reflected in the form and extent of matching contributions that the employer pledges to make when the employee contributes. While the value of the benefits ultimately received by the workers from their employers depends on the employees' own actions (participation and contribution

rates), the structures of the employer matches themselves demonstrate the potential for employer contributions to add to employees' retirement savings. The paper draws on the coded microdata underlying NCS publications, as well as additional data gleaned from employers' plan brochure to describe the distribution of plan generosity observed in the NCS sample, which is representative of the nation as a whole.

The project portrays many dimensions of the wide variation between the 401 (k) plans offered by employers. Match rates are seen throughout the 0-100 percent range, and even higher. These matches are provided on 1 to 6 percent of employees' salaries, and even higher. Some matching schemes provide "flat" matches, while other employers vary the match rate over the distribution of employee contribution amounts, or between employees with different amounts of tenure. The project shows that some of these features of plan generosity are offsetting—e.g., a low match rate is often compensated for by a high amount of employee salary eligible to be matched. Nonetheless, plans with variable match rates tend to be somewhat more generous than those providing flat rates. The project also documents how the generousities of plans differ by job and employer characteristics- for example, workers in the Western region tend have access to significantly more generous plans than workers in the South.

This project has been published in the BLS's *Monthly Labor Review* and circulated to interested retirement researchers at other private and public organizations. It has also affected plans for future BLS publications using NCS data. And it forms a needed background and basis for the author's own continuing work using the underlying data to examine how the characteristics of 401 (k) plans affect the participation rates of employees having access to them.

***Excellence:*** What makes this project exceptional?

The project uses accurate data representative of all private employers in the United States to document 401 (k) plan characteristics. This provides a more comprehensive view of the plans inexistence than other studies, which have used samples of large employers or other subsets of the population.

***Significance:*** How is this research relevant to older persons, populations and/or an aging society?

The amount of retirement saving is a key component of the resources available to older populations. 401(k) plans provided by employers are an increasingly large fraction of these savings, reflecting the evolution of employers' retirement benefits over the last three decades.

***Effectiveness:*** What is the impact and/or application of this research to older persons?

This research will help establish a backdrop to further studies of 401 (k) benefits, including simulations of retirement savings accumulations as well as studies of how plan details affect savings behavior. It may also be used in policy simulations that ask how

changes to tax, Social Security, and savings policy might be accommodated by the population.

***Innovativeness:*** Why is this research exciting or newsworthy?

The research demonstrates a wide variability between the 401(k) plans provided by different employers and uncovers some of the correlates of plan generosity. Given the passive behavior of employees with regard to plan participation that has been documented in the literature, it seems likely that much of this variation (and subsequent sufficiency of retirement saving) is distributed arbitrarily across the population. If so, it poses some interesting questions about the operation of the labor market and may prompt interest in public policies aimed at leveling out the variation in generosity received.