



Highlights of [GAO-09-291](#), a report to congressional requesters

Why GAO Did This Study

The number of private defined benefit (DB) pension plans, an important source of retirement income for millions of Americans, has declined substantially over the past two decades. For example, about 92,000 single-employer DB plans existed in 1990, compared to just under 29,000 single-employer plans today. Although this decline has been concentrated among smaller plans, there is a widespread concern that large DB plans covering many participants have modified, reduced, or otherwise frozen plan benefits in recent years. GAO was asked to examine (1) what changes employers have made to their pension and benefit offerings, including to their defined contribution (DC) plans and health offerings over the last 10 years or so, and (2) what changes employers might make with respect to their pensions in the future, and how these changes might be influenced by changes in pension law and other factors.

To gather information about overall changes in pension and health benefit offerings, GAO asked 94 of the nation's largest DB plan sponsors to participate in a survey; 44 of these sponsors responded. These respondents represent about one-quarter of the total liabilities in the nation's single-employer insured DB plan system as of 2004. The survey was largely completed prior to the current financial market difficulties of late 2008.

[View GAO-09-291](#) or [key components](#).
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DEFINED BENEFIT PENSIONS

Survey Results of the Nation's Largest Private Defined Benefit Plan Sponsors

What GAO Found

GAO's survey of the largest sponsors of DB pension plans revealed that respondents have made a number of revisions to their retirement benefit offerings over the last 10 years or so. Generally speaking, they have changed benefit formulas; converted to hybrid plans (such plans are legally DB plans, but they contain certain features that resemble DC plans); or frozen some of their plans. Eighty-one percent of responding sponsors reported that they modified the formula for computing benefits for one or more of their DB plans. Among all plans reported by respondents, 28 percent of these (or 47 of 169) plans were under a plan freeze—an amendment to the plan to limit some or all future pension accruals for some or all plan participants. The vast majority of respondents (90 percent, or 38 of 42 respondents) reported on their 401(k)-type DC plans. Regarding these DC plans, a majority of respondents reported either an increase or no change to the employer or employee contribution rates, with roughly equal responses to both categories. About 67 percent of (or 28 of 42) responding firms plan to implement or have already implemented an automatic enrollment feature to one or more of their DC plans. With respect to health care offerings, all of the (42) responding firms offered health care to their current workers. Eighty percent (or 33 of 41 respondents) offered a retiree health care plan to at least some current workers, although 20 percent of (or 8 of 41) respondents reported that retiree health benefits were to be fully paid by retirees. Further, 46 percent of (or 19 of 41) responding firms reported that it is no longer offered to employees hired after a certain date.

At the time of the survey, most sponsors reported no plans to revise plan formulas, freeze or terminate plans, or convert to hybrid plans before 2012. When asked about the influence of recent legislation or changes to the rules for pension accounting and reporting, responding firms generally indicated these were not significant factors in their benefit decisions. Finally, a minority of sponsors said they would consider forming a new DB plan. Those sponsors that would consider forming a new plan might do so if there were reduced unpredictability or volatility in DB plan funding requirements and greater scope in accounting for DB plans on corporate balance sheets. The survey results suggest that the long-time stability of larger DB plans is now vulnerable to the broader trends of eroding retirement security. The current market turmoil appears likely to exacerbate this trend.