

Defined-benefit plan. A plan that provides employees with guaranteed retirement benefits that are based on a benefit formula. A participant's retirement age, length of service, and preretirement earnings may affect the benefit received.

Defined-contribution plan. A plan that specifies the level of employer contributions and places those contributions into individual employee accounts. Retirement benefits are based on the level of funds in the account at the time of retirement.

Frozen defined-benefit plans. Frozen defined-benefit plans are typically closed to new workers and/or may limit future benefit accruals for some or all active plan participants. These plans may be of different types. Some may no longer allow participants to accrue additional benefits. Others may change the plan's prospective-benefit formula in such a way as to limit future benefit accruals. Yet, others may use a prospective-benefit formula to limit or cease accruals of benefits for some of the active participants.

Open defined-benefit retirement plans. Open defined-benefit retirement plans are plans that are available to new participants.

TABLE 2

Percent of participants in defined-benefit plans with benefit accrual and alternatives to "frozen" plans, National Compensation Survey, March 2009

(in percent)

Category	Private industry	State and local government
Benefit accrual		
All existing participants continue to accrue benefits	75	99
Some existing participants continue to accrue benefits	6	0
No existing participants continue to receive benefits	19	1
Alternatives to frozen plans		
Alternatives to frozen plans available	94	100
New defined contribution plan	56	—
Enhanced existing defined contribution plan	28	1
New defined benefit plan	11	95
Other	1	—

NOTE: Dash indicates no workers in this category or data did not meet publication criteria.

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of the remaining participants (11 percent) had a new defined-benefit plan, while 1 percent had other types of alternative plans available.

All State and local government workers in frozen plans had alternative plan options available. The options were 1) a new defined-

benefit plan, 2) an enhanced existing defined-contribution plan, and 3) a new defined-contribution plan. Unlike private industry, the alternative is more likely to be a new defined-benefit plan—available to 95 percent of participants. (See table 2.) ●

The next issue will feature combined-benefit plans.

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ON DEFINED-BENEFIT PLANS

“Frozen” Defined-benefit Plans

During the current economic recession, as employers search for ways to reduce costs, the phrase “frozen retirement plans” is heard with greater frequency. Frozen plans are those that are closed to employees not previously participating in the plan and/or place limits on future benefits for some or all active participants. This issue of *Program Perspectives* focuses on defined-benefit retirement plans that are frozen.

Twenty percent of private industry workers and 79 percent of State and local government workers participated in a defined-benefit retirement plan in March 2009. Defined benefit plans provide employees with guaranteed retirement benefits that are based on a benefit formula. Of those that participated in defined benefit plans, 19 percent of private industry workers and 10 percent of State and local government workers were in frozen plans.

The remaining 81 percent of private industry defined-benefit plan

participants and 90 percent of State and local government defined-benefit plan participants were in open plans, which are active plans available to current and new employees. These results are from the Bureau of Labor Statistics *National Compensation Survey: Employee Benefits in the United States, March 2009*, which presents a wide variety of information on employee benefits. The full report is available at: <http://www.bls.gov/ncs/ebs/benefits/2009/ebbl0044.pdf>.

Frequency of frozen plans

Among private industry occupational groups, the percent of employees participating in defined-benefit plans that were frozen plans ranged from 8 percent for natural resources, construction, and maintenance occupations to 22 percent for management, professional, and related occupations. Published estimates for workers in frozen plans are also available by employment

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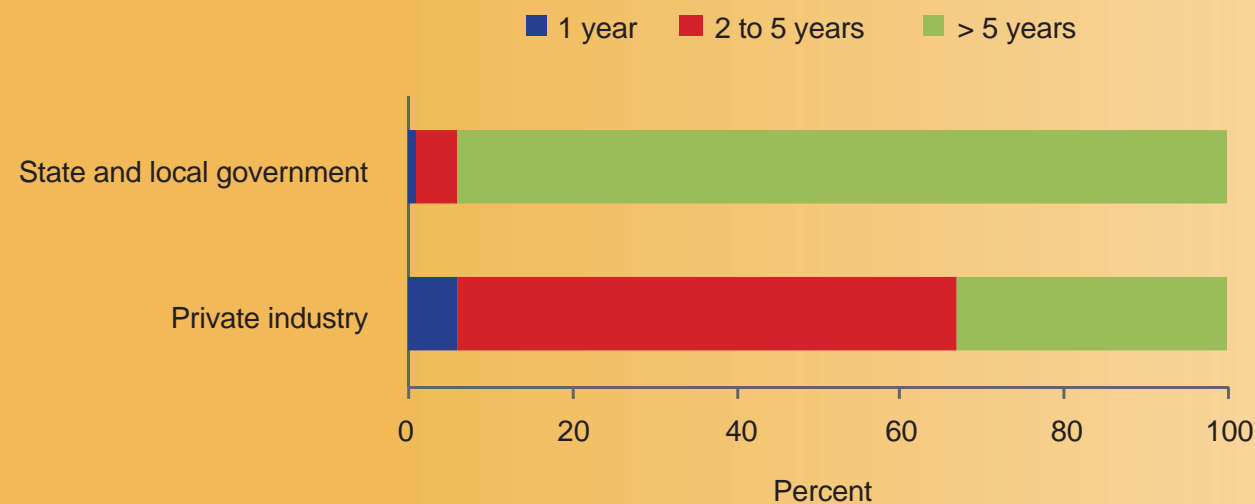
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- LIFE/DISABILITY INSURANCE

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CHART 1

Defined benefit “frozen plans”: Length of time since plans were frozen, National Compensation Survey, March 2009



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size. Establishments employing between 100 and 499 workers had 23 percent of workers participating in frozen plans, and workers in establishments with fewer than 50 employees had 11 percent.

Among all private industry workers participating in defined-benefit plans, nonunion workers had a higher percent of participants in frozen plans (24 percent) than their union counterparts (10 percent). Also, participants in the lowest 10 percent of the earnings' range were more likely to be in frozen plans than participants in the top 10-percent earnings category—42 percent compared with 22 percent. (These earnings categories are based on estimates published in the *National Compensation Survey: Occupational Earnings in the United*

States, 2008. The hourly wage value for the lowest 10 percent category was below \$8.00. For the highest 10 percent category, the hourly wage value was greater than or equal to \$36.43. Complete results of this survey are online at www.bls.gov/ncs/ncswage2008.htm.) The percent of participants in frozen defined-benefit plans differed among geographic areas. In the Pacific division, only 10 percent of defined-benefit plans participants were in frozen plans, compared with the East North Central division, which had 26 percent of defined-benefit plan participants in frozen plans.

Frozen plans were generally less frequent among State and local government workers participating in defined-benefit plans. Only 10 percent of these participants were in frozen plans, with no difference between State government partici-

pants and local government participants. Variability among categories within State and local government was typically less than in private industry with one exception. That exception was by geographic area. Published estimates for State and local government ranged from 2 percent in the South Atlantic division to 26 percent in New England. In private industry, the range was from 10 percent in the Pacific division to 26 percent in the East North Central division. (See table 1.)

Length of time since plans were frozen

For most private industry workers participating in frozen plans, their plan was closed within the last 2 to 5 years (61 percent). Another 33 percent of these participants were in frozen plans that were closed

TABLE 1

Percent of participants in defined benefit plans that are in “frozen” plans, National Compensation Survey, March 2009

(in percent)

Category	Private industry	State and local government	Category	Private industry	State and local government
All employees	19	10	By establishment size		
By occupation			1 to 49 workers	11	5
Management, professional, and related	22	10	50 to 99 workers	20	10
Service	15	10	100 to 499 workers	23	10
Sales and office	21	10	500 workers or more	19	10
Natural resources, construction, and maintenance	8	6	By geographic areas		
Production, transportation, and material moving	21	10	New England	17	26
By bargaining status			Middle Atlantic	14	24
Union	10	15	East North Central	26	9
Nonunion	24	5	West North Central	18	—
By wage percentiles			South Atlantic	21	2
Lowest 10 percent	42	4	West South Central	22	6
Highest 10 percent	22	16	Pacific	10	13

NOTE: Dash indicates no workers in this category or data did not meet publication criteria.

more than 5 years ago, while the remaining 6 percent of participants were in plans that closed within the past year. (See chart 1.) This pattern was maintained for most of the characteristics that met publication criteria with a few exceptions, including the utilities industry and the Mountain division.

The length of time since State and local government plans were frozen differed from private industry. In State and local government, plans have been closed for more than 5 years for almost all of the participants in frozen plans (94 percent). Five percent have been closed for 2 to 5 years, and 1 per-

cent have been closed for 1 year.

Accrual of benefits

Most private industry workers participating in frozen defined-benefit plans were in plans in which all participants continued to accrue benefits (75 percent). By contrast, 6 percent of private industry workers were in plans in which some (but not all) participants continued to accrue benefits. The remaining 19 percent were in plans in which no participants continued to accrue benefits. Virtually all State and local government workers in frozen plans were in plans that allowed participants to contin-

ue to accrue benefits (See table 2.)

Alternatives to frozen plans

When defined-benefit retirement plans are frozen, the vast majority of private industry participants (94 percent) had one or more alternative plans available. The most common alternative plan was a new defined-contribution plan, available to 56 percent of workers in frozen plans. Another 28 percent of these workers had enhanced existing defined-contribution plans available. Most

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