



PROGRAM

# PERSPECTIVES

ISSUE 3

MARCH 2009

## ON RETIREMENT BENEFITS

### Defined-contribution plans more common than defined-benefit plans

**F**ifty-one percent of all private-industry employees participated in a retirement plan in March 2008. There are two general types of retirement plans: defined-contribution plans, which specify the level of employer contributions to be placed in individual employee accounts, and defined-benefit plans, which provide employees with guaranteed benefits that are based on a pre-determined formula.

The estimates in this issue are from the National Compensation Survey of Employee Benefits in the United States, March 2008. (See [www.bls.gov/ebs](http://www.bls.gov/ebs).) Future issues of *Program Perspectives* will feature data from the March 2009 survey.

Most workers had only one type of retirement plan in March 2008, but some had two. Forty-three percent of private-industry workers had a defined-contribution plan and 20 percent had a defined-benefit plan.

Among occupational groups, the rate of participation in retirement plans was highest among management, business, and financial employees—77 percent. The lowest rate of participation was that of service workers—25 percent. (See table 1.)

The only surveyed group that had greater participation in defined-benefit plans than defined-contribution plans was union workers. The defined-benefit participation rate was 67 percent

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#### NATIONAL COMPENSATION SURVEY Benefits Series

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HEALTH

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**RETIREMENT**

*Welcome to the third issue of Program Perspectives, a new publication from the U.S. Bureau of Labor Statistics in which BLS programs showcase their latest data.*

TABLE 1

### Percent of private-industry workers who participate in retirement plans, by occupational group, March 2008

Occupational group	Defined-benefit plan	Defined-contribution plan	Either plan or both plans
Management, business, and financial	34	69	77
Professional and related	26	56	64
Service	8	20	25
Sales and related	13	41	46
Office and administrative support	22	52	60
Construction, extraction, farming, fishing, and forestry	24	35	47
Installation, maintenance, and repair	26	48	58
Production	27	45	57
Transportation and material moving	24	38	51

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for union workers, more than triple the average rate of all private industry workers. Union workers' rate of participation in defined-contribution plans, 42 percent, was about the average for all private industry workers. Overall, union workers' rate of participation in retirement plans—at 80 percent—was greater than that of nonunion workers, which was 48 percent. (See table 2.)

### Take-up rates and trends in employee participation

Participation in defined-contribution plans has been growing in

private industry over the last 10 years—from 36 percent of employees in 1999 to 43 percent in 2008. The level of participation in defined-benefit plans has hovered

around 20 percent throughout the same period. (See chart 1.)

Not all employees who are offered retirement plans choose to participate. The percentage of

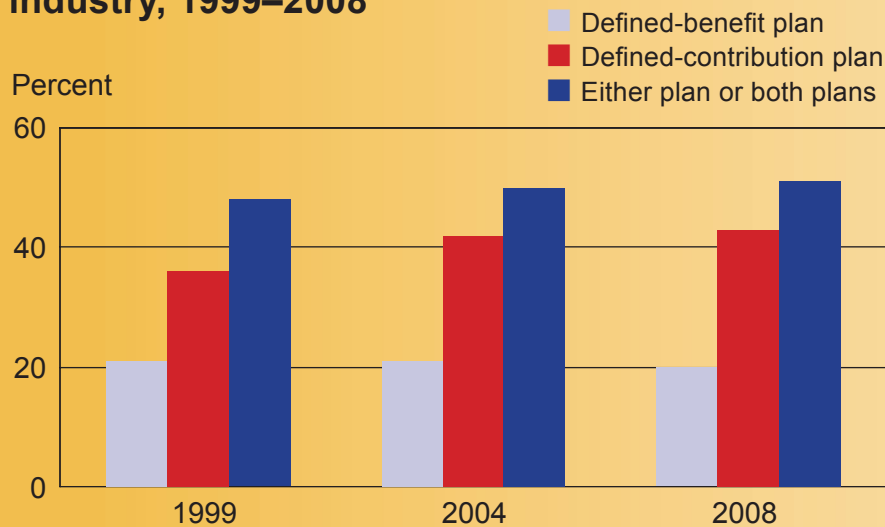
TABLE 2

### Percent of private-industry workers who participate in retirement plans, by bargaining-unit status, March 2008

Bargaining-unit status	Defined-benefit plan	Defined-contribution plan	Either plan or both plans
Union	67	42	80
Nonunion	15	43	48

CHART 1

### Rate of participation in retirement plans, private industry, 1999–2008



employees with access to a plan who choose to participate is called the take-up rate. In March 2008, 95 percent of employees who had access to a defined-benefit plan chose to participate in the plan, compared with 70 percent of employees with

access to a defined-contribution plan. (See table 3.) The lower take-up rate of defined-contribution plans in part reflects the percentage of such plans that require employee contributions: about two-thirds of the people who participated in

defined-contribution plans were required to contribute to the plans, compared with 1 out of 25 persons in defined-benefit plans. In other words, when a retirement plan requires employees to make their own contributions to it, employees are less likely to take up the plan.

### Costs of plans

In March 2008, the total cost to employers of private-industry retirement plans was 96 cents per hour worked. The cost of defined-contribution plans, 53 cents per hour, was higher than the cost of defined-benefit plans, 43 cents. However, because the percentage of employees participating in defined-contribution plans was

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TABLE 3

### Access, participation, and take-up rates for all private-industry workers, March 2008 (in percent)

Type of retirement plan	Access rate	Participation rate	Take-up rate
Defined-benefit plan	22	20	95
Defined-contribution plan	62	43	70
Either plan or both plans	67	51	77

## GLOSSARY

**Access to a retirement plan.** The availability of a retirement plan for employees' participation or the promise of availability upon the fulfillment of a service requirement. An employee who is offered a retirement plan is considered to have access to the plan regardless of whether he or she actually participates in it.

**Participation in a retirement plan.** Employees in contributory plans are considered to be participants if they have paid all required contributions and fulfilled all applicable service requirements. Employees in noncontributory plans are counted as participating regardless of whether they have fulfilled the service requirements.

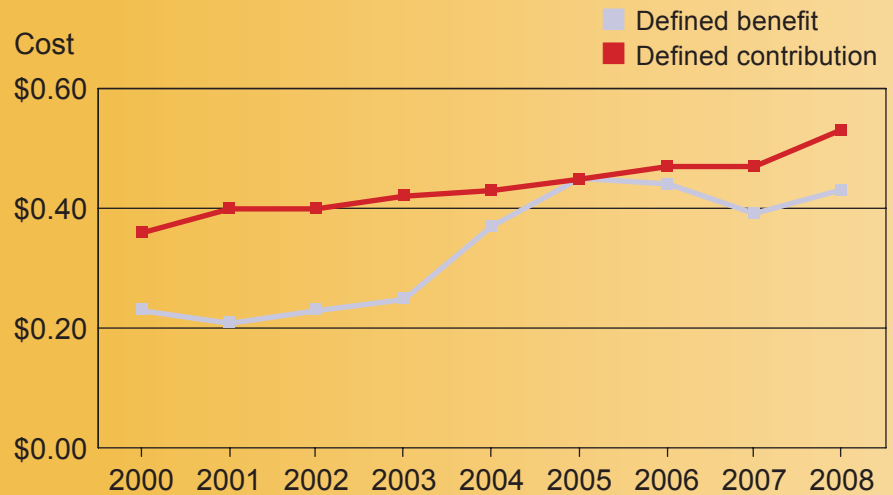
**Take-up rate of a retirement plan.** The percentage of workers with access to a plan who participate in the plan. Take-up rates are computed by dividing the number of employees participating in the plan by the number of employees with access to the plan, multiplying by 100, and rounding to the nearest 1 percent.

**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.

### CHART 2

#### Employer costs per hour worked for retirement plans, private industry, 2000–08



Note: Data are from the National Compensation Survey, Employer Costs for Employee Compensation, March reference month.

**from page 3** ► more than double the percentage participating in defined-benefit plans, the cost per participating employee is higher for defined-benefit plans than for defined-contribution plans. The cost of defined-benefit plans has fluctuated during the past decade, increasing

and decreasing depending on factors such as the interest rate and the rate of return on investments. The predictability of cost is one reason that some employers prefer defined-contribution plans to defined-benefit plans. (See chart 2. For further information, also see [www.bls.gov/ect](http://www.bls.gov/ect).) ●

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