Figure 6

Number of Private-Sector Defined Contribution and 401(k)-Type Plans, Active Participants, and Total Assets, 1975–2004

	Number of Plans		Number of Active Participants		Assets	
Year	Defined Contribution	401(k)-Type	Defined Contribution	401(k)-Type	Defined Contribution	401(k)-Type
			(millions)		($ millions)	
1975	207,748		11.2		$74,103	
1980	340,805		18.9		162,096	
1985	461,963	29,869	33.2	10.3	426,622	$143,939
1990	599,245	97,614	35.3	19.5	712,236	384,854
1995	623,912	200,813	42.2	27.8	1,321,657	863,918
1996	632,566	230,808	44.3	30.6	1,550,884	1,061,493
1997	660,542	265,251	47.7	33.6	1,818,152	1,264,168
1998	673,626	300,593	50.0	36.8	2,085,250	1,540,975
1999	683,100	335,121	50.4	38.6	2,350,266	1,790,256
2000	686,878	348,053	50.9	39.8	2,216,495	1,724,549
2001	686,611	366,568	52.3	42.0	2,115,702	1,682,218
2002	685,943	388,204	52.9	43.2	1,951,596	1,573,083
2003	652,976	403,638	51.8	43.6	2,306,922	1,922,021
2004	635,567	418,553	52.2	44.4	2,587,159	2,188,733

Source: U.S. Department of Labor, Employee Benefits Security Administration, *Private Pension Plan Bulletin, Historical Tables* (March 2007), www.dol.gov/ebsa/pdf/privatepensionplanbulletinhistoricaltables.pdf

Figure 7

Distribution of IRA[a] Assets and Contributions, by IRA Type, 2000–2002

	2000	2001	2002
End-of-Year Asset Levels		($ billions)	
All IRAs	$2,629.3	$2,619.4	$2,532.7
Traditional IRAs	2,407.0	2,394.9	2,321.7
Roth IRAs	77.6	79.3	77.6
Other IRAs[b]	144.7	145.1	133.4
Contributions			
Total	36.5	35.7	42.3
Traditional IRAs	10.0	9.2	12.4
deductible	7.5	7.4	9.5
nondeductible	2.6	1.8	2.9
Roth IRAs	11.6	11.0	13.2
Other IRAs	14.9	15.6	16.7
Rollovers to Traditional Plans	225.6	187.8	204.4
Percentage of Eligible Taxpayers Who Contribute	9.5%	10.6%	10.3%
Average Contribution	$2,412	$2,348	$2,894

Source: Peter J. Sailer and Sarah E. Nutter, "Accumulation and Distribution of Individual Retirement Arrangements, 2000" *SOI Bulletin* (Spring 2004): 121–134; and Victoria L. Bryant and Peter J. Sailer, "Accumulation and Distribution of Individual Retirement Arrangements, 2001–2002" *SOI Bulletin* (Spring 2006): 233–254.

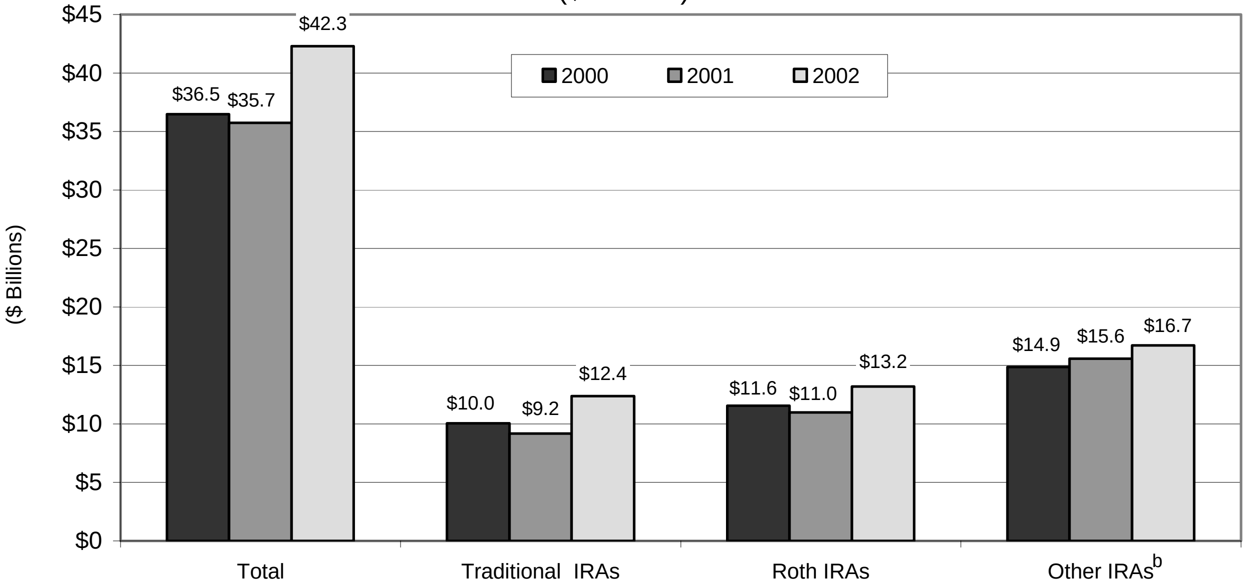
[a] Individual retirement arrangement (account)

[b] Other IRAs include SEP Plans, SIMPLE Plans, and Educational IRA Plans.

Figure 8

IRA[a] Contributions, 2000–2002

($ Billions)



Source: Peter J. Sailer and Sarah E. Nutter, "Accumulation and Distribution of Individual Retirement Arrangements, 2000," *SOI Bulletin* (Spring 2004): 121–134; and Victoria L. Bryant and Peter J. Sailer, "Accumulation and Distribution of Individual Retirement Arrangements, 2001–2002," *SOI Bulletin* (Spring 2006): 233–254.

[a] Individual retirement arrangement (account).

[b] Other IRAs include SEP Plans, SIMPLE Plans, and Educational IRA Plans.

This was not widely experienced by many older retirees, whose working careers spanned the time when employer-financed defined benefit pension plans (with annuity payments) were the norm.

The new challenge for retirees who own these accounts will be to maintain and draw down their retirement assets in a manner that pays for an acceptable standard of living and lasts throughout the length of their retirement. Any retirement asset drawdown decision that underestimates the retiree's remaining years of life could result in the individual outliving his or her retirement assets. Therefore, retirees with these individual account assets will need to have information or financial vehicles that will reduce their likelihood of outliving their assets in retirement or the need to significantly lower their standard of living.

In previous EBRI research, VanDerhei and Copeland (2003) examined the likelihood of a retiree being able to fund his or her basic expenses in retirement and the potential need for additional savings to cover these expenses if existing funds are insufficient.[16] Furthermore, in another EBRI study, VanDerhei and Copeland (2004) investigated how eliminating lump-sum distributions from employment-based retirement plans and annuitizing all retirement plan assets would affect workers' need for additional savings.[17] Both studies show that decisions on both savings in and spending from these individual account plans will have critically important consequences for many Americans' ultimate financial situation in retirement. Thus, retirees using these individual account plans are being handed two difficult assignments—accumulation and orderly divesture—for financing a comfortable retirement.

Endnotes

[1] See the U.S. Census Bureau's SIPP Web site, www.sipp.census.gov/sipp/overview.html, for further information on SIPP. This study uses data from the 1996, 2001, and 2004 panels. The 1996 Panel followed the same individuals for a four-year period, while the 2001 Panel follows the same individuals for a three-year period, with the 2001 Panel including a sample of 36,700 families. The 2004 Panel consists of 46,500 households to be interviewed for 2-½ years. In the survey, respondents are interviewed every four months, with all respondents being interviewed in staggered months so that one-fourth of the sample is interviewed each month. During each interview, the respondents are asked a core set of the same questions about the prior four-month period and topical modules of more specialized topics that are rotated through the survey and refer to the reference month (last month of the four-month period) or prior year. Thus, the results of many of these questions cover a four-month period to include the full sample.

[2] See Jack VanDerhei, Sarah Holden, Craig Copeland, and Luis Alonso, "401(k) Plan Asset Allocation, Plan Balances, and Loan Activity in 2006," *EBRI Issue Brief*, no. 308 (Employee Benefit Research Institute, August 2007) for the most recent results on participant account balances from the EBRI/ICI database; and Sarah Holden and Jack VanDerhei, "Contribution Behavior of 401(k) Plan Participants," *EBRI Issue Brief*, no. 238 (Employee Benefit Research Institute October 2001) for results on contributions from this database.

[3] See Holden and VanDerhei, (2001), op. cit., for contributions to just 401(k) plans.

[4] The maximum dollar amounts that were allowed to be contributed to 401(k) plans on a tax-deferred basis were $9,700 in 1996, $10,500 in 2001, and $13,000 ($16,000 for those age 50 or older) in 2004. While these were the maximum dollar amounts allowed by the Internal Revenue Code, plans may have limited contributions to a level below this maximum amount. In addition, the federal government also limited contributions to 25 percent of compensation until 2002. Thus, anyone making below $42,000 in 2001 could not have made the maximum dollar amount contribution. Starting in 2002, the maximum percentage amount was increased to 100 percent of compensation.

[5] The percentage of income that is contributed to 401(k)-type plans in this study is not comparable with that of Holden and VanDerhei, (2001), op. cit., as this study uses family income whereas that study uses individual earnings. Furthermore, again, the Holden and VanDerhei study includes only 401(k) plans, while this study includes other similar defined contribution plans.

[6] SIPP asks for income on a monthly basis. The income used in this study is the monthly income of the reference month of the survey when questions were asked about participation and contributions. (For the 2004 results, the income data came from the last month of the previous wave, since the wave core data file corresponding to the topical module data with the IRA questions had not been released at the time of this study.) The monthly income is then annualized by multiplying it by 12. Consequently, any worker with uneven monthly earnings over the year will have inaccurate annualized earnings for the year. This number appears to be small overall, but does appear to influence the results from the lowest income groups with small participation levels in 401(k)-type plans.

[7] In general, the groups with higher average earnings were associated with those groups having higher average balances. See VanDerhei, Holden, Copeland, and Alonso (2007), op. cit., for the average balances by age and income levels.

[8] The data from SIPP only have tax-deductible contributions, not nondeductible contributions, such as those to Roth IRAs. A section later in this study presents data on all contribution types to IRAs.

[9] The maximum IRA contribution from 1996–2001 was $2,000. In 2002, the maximum was increased to $3,000 until 2004, when it was set at $4,000 annually through 2007. In 2008, the limit goes to $5,000. For those ages 50 or older an additional $500 could be contributed from 2002–2005. In 2006, the "catch-up" contribution increased to $1,000.

[10] See U.S. Department of Labor, Employee Benefits Security Administration, *Private Pension Plan Bulletin Historical Tables* (March 2007), www.dol.gov/ebsa/pdf/privatepensionplanbulletinhistoricaltables.pdf (viewed Sept. 19, 2007).

[11] The data for this section are from IRS research published in their *SOI Bulletin*. For more results, see Peter J. Sailer and Sarah E. Nutter, "Accumulation and Distribution of Individual Retirement Arrangements, 2000," *SOI Bulletin* (Spring 2004): 121–134; and Victoria L. Bryant and Peter J. Sailer, "Accumulation and Distribution of Individual Retirement Arrangements, 2001–2002," *SOI Bulletin* (Spring 2006): 233–254.

[12] Other IRAs include simplified employee pension (SEP) plans, savings incentive match plan for employees (SIMPLE) plans, and educational IRAs.

[13] The Investment Company Institute has estimates for IRA assets by type through 2006 in Investment Company Institute, "The U.S. Retirement Market, 2006," *Research Fundamentals*, Vol. 16, no. 3 (Investment Company Institute, July 2007), available at http://www.ici.org/home/fm-v16n3.pdf (last viewed Sept. 19, 2007). Estimates of Roth contributions through 2004 and more detailed data on IRA holdings are included in Investment Company Institute, "Appendix: Additional Data on the U.S. Retirement Market, 2006," *Research Fundamentals*, Vol. 16, no. 3A (Investment Company Institute, July 2007), available at http://www.ici.org/pdf/fm-v16n3_appendix.pdf (last viewed Sept. 19, 2007).

[14] See Craig Copeland, "Individual Account Retirement Plans: An Analysis of the 2004 Survey of Consumer Finances," *EBRI Issue Brief*, no. 293 (Employee Benefit Research Institute, May 2006) for a breakdown of IRA assets into rollover and traditional (regular) assets, where between 25 percent and 50 percent of the IRA assets were found to be attributable to rollovers.

[15] See endnote 9, for details on the increases in the IRA contribution limits.

[16] 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).

[17] See Jack VanDerhei and Craig Copeland, "ERISA at 30: The Decline of Private-Sector Defined Benefit Promises and Annuity Payments? What Will It Mean?" *EBRI Issue Brief*, no. 269 (Employee Benefit Research Institute, May 2004).

■ *New Publications and Internet Sites*

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Employee Benefits

DeScherer, Dorinda D., and Terence M. Myers. *Employee Benefits Answer Book*. Ninth Edition. $225. Aspen Publishers, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705, (800) 638-8437, www.aspenpublishers.com

Society for Human Resource Management. *2007 Benefits Survey Report*. SHRM members, $79.95; nonmembers, $99.95. Society for Human Resource Management, 1800 Duke St., Alexandria, VA 22314-3499, (800) 444-5006, option #1, e-mail: shrmstore@shrm.org, http://shrmstore.shrm.org/shrm/

U.S. Government Accountability Office. *Employer-Sponsored Benefits: Many Factors Affect the Treatment of Pension and Health Benefits in Chapter 11 Bankruptcy*. Order from GAO.

Health Care

U.S. Government Accountability Office. *Health Care 20 Years From Now: Taking Steps Today to Meet Tomorrow's Challenges*. Order from GAO.

Watson Wyatt Worldwide. *2007 Employee Perspectives on Health Care: Voice of the Consumer*. $49. Watson Wyatt Worldwide, 901 N. Glebe Rd., Arlington, VA 22203, (703) 258-8000, fax: (703) 258-8585, www.watsonwyatt.com

Pension Plans/Retirement

Madrian, Brigitte, Olivia S. Mitchell, and Beth J. Soldo. *Redefining Retirement: How Will Boomers Fare?* $81. Oxford University Press, Attn: Order Dept., 2001 Evans Rd., Cary, NC 27513-2010, (800) 451-7556, fax: (919) 677-1303, www.oup.com/us

National Association of Government Defined Contribution Administrators, Inc. *2006 Biennial State and Local Government Defined Contribution Plan Survey*. CD-ROM. NAGDCA members, $75; nonmembers, $99. National Association of Government Defined Contribution Administrators, Inc., 201 East Main St., Suite 1405, Lexington, KY 40507, (859) 514-9161, fax: (859) 514-9188, www.nagdca.org

RG Wuelfing & Associates, Inc. *2007 SPARK Marketplace Update*. Available only to members of the Society of Professional Asset-Managers and Record Keepers (SPARK) and included in the cost of membership, $800. RG Wuelfing & Associates, Inc., 714 Hopmeadow St., Suite 3, Simsbury, CT 06070, (860) 658-5058, fax: (860) 658-5068, www.rgwuelfing.com

Web Documents

2008 Segal Health Plan Cost Trend Survey
www.segalco.com/publications/surveysandstudies/2008trendsurvey.pdf

401(k) Fast Facts: Financial Literacy and Investment Education
www.americanbenefitscouncil.org/documents/401k_financialliteracy.pdf

401(k) Participants' Awareness and Understanding of Fees
www.aarp.org/research/financial/investing/401k_fees.html

Aon Consulting/ISCEBS Survey: CDH Plans Continue to Grow in Popularity
www.iscebs.org/PDF/surveys/SurveyCDHAon07Final.pdf

Automatic 401(k) Overview for Employers
www.aarp.org/money/careers/employerresourcecenter/benefits/automatic_401k_overview_for_employers.html

Employer Health Benefits 2007 Annual Survey
www.kff.org/insurance/7672/

FASB Kicks Off Phase Two of Postretirement Benefit Accounting Reform
www.watsonwyatt.com/us/news/globalnews2.asp?ID=17774&nm=United%20States

Future of Medicare: Report on Expert Views
http://assets.aarp.org/rgcenter/health/2007_12_medicare.pdf

GASB Issues New Pension Disclosure Rules
www.segalco.com/publications/bulletins/aug07GASB.pdf

Health Care Plans in 2007
www.bls.gov/opub/ted/2007/aug/wk3/art04.htm

How Much Do Americans Depend on Social Security?
www.ncpa.org/pub/st/st301/st301.pdf

Income, Poverty, and Health Insurance Coverage in the United States: 2006
www.census.gov/prod/2007pubs/p60-233.pdf

An Industry Analysis of the Fair Disclosure for Retirement Security Act of 2007 [introduced by Rep. George Miller on July 26, 2007]
www.rgwuelfing.com/Fair_Disclosure_SOP_09192007_FINAL.pdf

IRS Issues Final Rules Clarifying Dependent Care Expense Reimbursement
www.sibson.com/publications/bulletins/sept07dep.pdf

Is There Really a Retirement Savings Crisis? An NRRI Analysis
http://crr.bc.edu/images/stories/Briefs/ib_7-11.pdf

Leave Benefits in the United States [Updated July 27, 2007]
http://opencrs.cdt.org/rpts/RL34088_20070727.pdf

Maternity Leave in the United States
www.iwpr.org/pdf/parentalleaveA131.pdf

The New Health Care Currency: Keeping Employees Well
www.aon.com/about/publications/pdf/issues/ar_2007_07_the_new_health_803.pdf

Pension Sponsorship and Participation: Summary of Recent Trends [Updated September 6, 2007]
www.opencrs.com/rpts/RL30122_20070906.pdf

Ready or Not: The First New 403(b) Regulations in More Than 40 Years Are Here [White Paper]
www.milliman.com/expertise/employee-benefits/publications/published/pdfs/403b-Regulations-PA08-01-07.pdf

The Role of Private Insurance in Financing Long-Term Care
http://crr.bc.edu/images/stories/Briefs/ib_7-13.pdf

Six Steps for Cutting Spending for Multiemployer Self-Funded Health Plans
www.ifebp.org/pdf/webexclusive/07oct.pdf

Study of Employee Benefits: 2007 & Beyond
www.prudential.com/media/managed/giproducer/StudyofEmployeeBenefits_2007andbeyond.pdf

Temporary Closing of the Determination Letter Program for Adopters of Pre-Approved Defined Contribution Plans [Announcement 2007-90]
www.irs.gov/pub/irs-drop/a-07-90.pdf

U.S. Healthcare Spending: Comparison with Other OECD Countries
http://opencrs.com/rpts/RL34175_20070917.pdf

Whither Employer-Based Health Insurance? The Current and Future Role of U.S. Companies in the Provision and Financing of Health Insurance
www.commonwealthfund.org/usr_doc/Collins_whitheremployer-basedhltins_1059.pdf?section=4039

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