

FOR IMMEDIATE RELEASE: June 16, 2009

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New Research from EBRI:

401(k) Sponsors Suspending Matching Contributions Are Generally Also Funding Defined Benefit Pensions

WASHINGTON— A review by the nonpartisan Employee Benefit Research Institute (EBRI) of 251 401(k) plan sponsors that have suspended 401(k) matching contributions for their 4.4 million workers finds that those employing 50 percent of the workers also maintained an open defined benefit plan. The review appears in the June 2009 *EBRI Notes*, available at www.ebri.org

According to the review, an additional 16 percent of the workers were with employers that were still obligated to fund a frozen defined benefit plan. Further, 8 percent of the workers were with an employer that had both an open and a frozen defined benefit plan that carried funding obligations.

Because of the current economic conditions, many of these employers must make what are unexpected contributions to a defined benefit plan as a result of asset losses and liability growth, but they can eliminate what are discretionary matching contributions to a 401(k)-type plan, the EBRI review says.

For the 50 percent of the workers in the group of 251 employers, the 401(k)-type retirement plan is an additional benefit to the open defined benefit pension plan; thus, retirement benefits are still being provided by the employer, in spite of the suspended 401(k) matching contribution, according to the review.

“Having detailed information on these firms would allow for a more detailed analysis and firmer findings,” the EBRI review says, “but the information gleaned from what is available suggests that most 401(k)-type matching contribution suspensions for this group of companies are taking place at employers that also have other retirement plan obligations, specifically for a defined benefit pension.”

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PR #844