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**New Research from EBRI:**

## **Defined Contribution Retirement Plans Increasingly Seen as Primary Type**

WASHINGTON—A study released today by the nonpartisan Employee Benefit Research Institute (EBRI) shows that workers increasingly see defined contribution plans (401(k)-type) as their primary retirement plan type, with about two-thirds of workers identifying these as their most important plan.

As defined contribution plans have become more important—and as defined benefit (pension) plans continue to fade in the private sector—it is likely that workers' contributions to these plans will need to grow even faster if they expect to be able to afford to maintain their current lifestyle in retirement, writes Craig Copeland, EBRI senior research associate and author of the study, which appears in the February 2009 *EBRI Notes*, available at [www.ebri.org](http://www.ebri.org)

Here are some of the study's key points concerning trends in what workers consider as their primary retirement plan type:

- Overall, 67.1 percent of participants in a retirement plan had a defined contribution (401(k)-type) plan as their primary plan in 2006; this is more than double the level found in 1988.
- Correspondingly, a smaller percentage of workers had a defined benefit retirement plan as their primary plan: 30.9 percent in 2006, substantially lower than the 56.7 percent level found in 1988.
- In addition, 30.1 percent of nonagricultural wage and salary workers age 16 and over had a salary reduction plan (such as 401(k) plans) that they considered as their primary retirement plan in 2006, compared with just 7.5 percent in 1988.

The *EBRI Notes* article also includes the following information on 2006 retirement participation and sponsorship levels, based on the latest data from the U.S. Census Bureau's Survey of Income and Program Participation (SIPP):

- Less than half of all American workers participate in a retirement plan. The percentage of workers participating in a plan (the *participation level*) decreased to 44 percent in 2006 from 48 percent in 2003. This matched its 1998 level of 44 percent and is within the range of the levels found in 1979–1993.
- The participation level for salary reduction plans (such as 401(k) plans) was 36.3 percent in 2006, also higher than 15.3 percent in 1988. However, the average employee contribution to these plans remained unchanged in 2006 (at 7.5 percent), after increasing gradually from 7.1 percent in 1993. High contributors (those who contributed 10 percent or more of their salary to the plan) were more likely to contribute a higher amount in 2006 than in 1993.
- The sponsorship level for all workers for pay age 16 and over (workers whose employer or union sponsors a pension or retirement plan for any of the employees) was 59 percent in 2006, according to SIPP. This is higher than or equal to the most recent estimates from the Census Bureau's Current Population Survey.
- The sponsorship level of salary reduction plans—the predominant type of defined contribution plan—for nonagricultural wage and salary workers ages 16 and over was 52.4 percent from 2006, a steady increase from 45.9 percent in 1998. The participation level was 36.3 percent in 2006, also higher than 15.3 percent in 1988.

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