



EBRI News

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New Research From EBRI:

Study Shows Slight Gains in Retirement Plan Participation

WASHINGTON—The most recent federal data offer some encouraging news on retirement plan participation, as a higher percentage of all workers were offered, participated in, and were vested in a retirement plan in 2003 than was measured in the previous survey in 1998, according to a study released today by the nonpartisan Employee Benefit Research Institute (EBRI). The growth applied to workers in both the private and public sectors.

The EBRI study is based on the U.S. Census Bureau's most recent Survey of Income and Program Participation (SIPP) data for 2003. Entitled "Retirement Plan Participation: Survey of Income and Program (SIPP) Data," the study appears in the September *EBRI Notes* at www.ebri.org. Among other things, it shows:

- *Sponsorship level:* 63 percent of workers age 16 and over worked for an employer or union that sponsored a retirement plan in 2003, up from 60 percent in 1998.
- *Participation level:* 48 percent of all workers age 16 and over participated in a retirement plan in 2003, up from 44 percent in 1998.
- *Vesting rate:* 44 percent of all workers say they were entitled to some pension benefit or lump-sum distribution if they left their job, up from 41 percent in 1998.

The data also demonstrate the well-documented shift away from "traditional" defined benefit pension plans and toward defined contribution plans, such as 401(k) plans in the private sector. A defined contribution plan was the primary retirement plan for 57.7 percent of participants in 2003, up from 51.5 percent in 1998 and more than double the 1988 level, the EBRI study reported. Correspondingly, 40.5 percent reported a defined benefit pension plan was their primary retirement plan in 2003, down from 46.3 percent in 1998 and 56.7 percent in 1988.

Defined contribution retirement plans such as 401(k) and 403(b) plans (used by nonprofit organizations) are commonly referred to as salary-reduction plans because a worker's take-home pay can be used, or reduced, to make contributions to the plan. The EBRI study reported that the average employee contribution for workers who participated in a salary reduction retirement plan was 7.5 percent in 2003, compared with 7.4 percent in 1998 and 6.6 percent in 1988.

"As salary reduction plans have grown in importance for workers, it is likely that their contributions to these plans will need to grow even faster if workers expect to be able to afford to maintain their current lifestyle in retirement," the EBRI study concluded.

Founded in 1978, EBRI is a nonprofit research institute that does not take policy positions and does not lobby.