

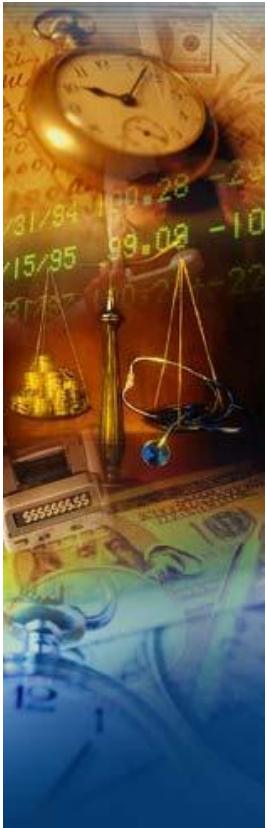
# Policy levers for changing retiree well being

## Private Sector Employers

Chris Bone

US Retirement Practice Leader

Aon Consulting



---

*Aon  
Consulting*

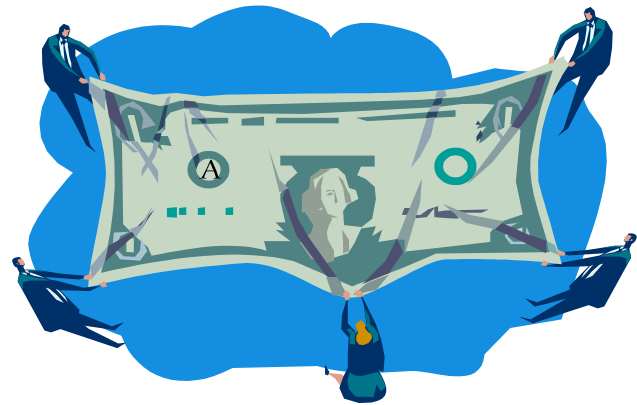
# Current Pressures

- Declining stock market and economic environment has had a major impact on all areas of retirement benefits
- Three out of every four US company Defined Benefit pension plans are underfunded
- Cost of medical care and prescription drugs have soared
- Employees saw large drop in Defined Contribution accounts
- Employees delaying retirement



# Employers

- Feeling cost pressure
  - Operations
  - Benefits
- Reduce pension expense and cash requirements
- Reduce pay increases
- Staff reductions



# Employer Reaction: Issues & Considerations

- Rising costs
  - Retirement plans
  - Medical (including retiree medical)
  - Stock option expensing
- Volatility (Surprises)
- Regulatory uncertainty
- Employee reaction
- Administrative costs of change



# Regulatory Uncertainty

- Fiduciary Requirements
  - Enron
  - Mutual fund industry
- Defined Benefit Plan Funding Rules
  - Replacement for 30-year Treasury
- Defined Benefit Accounting Rules
  - Mark to market volatility



# Employer Reaction

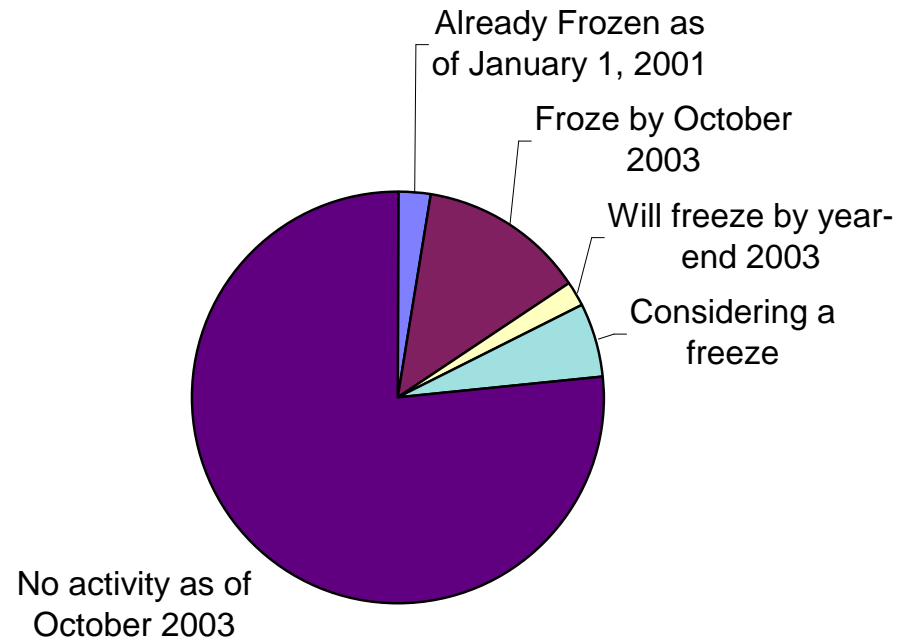
- Employers less likely to maintain DB plans
  - Re-evaluating/halting move to hybrid plan designs
- Provide more retirement planning education for employees
- Greater emphasis on documentation and adherence to fiduciary responsibilities
- Increasing administrative burdens combined with thin HR staff will increase need for outsourced services



# Freezing Pension Plans



## Aon Consulting October 2003 Survey Single Employer Defined Benefit Plans



# Freezing Pension Plans



## Aon Consulting October 2003 Survey Reasons for Freezing Plan (Multiple reasons may apply)

