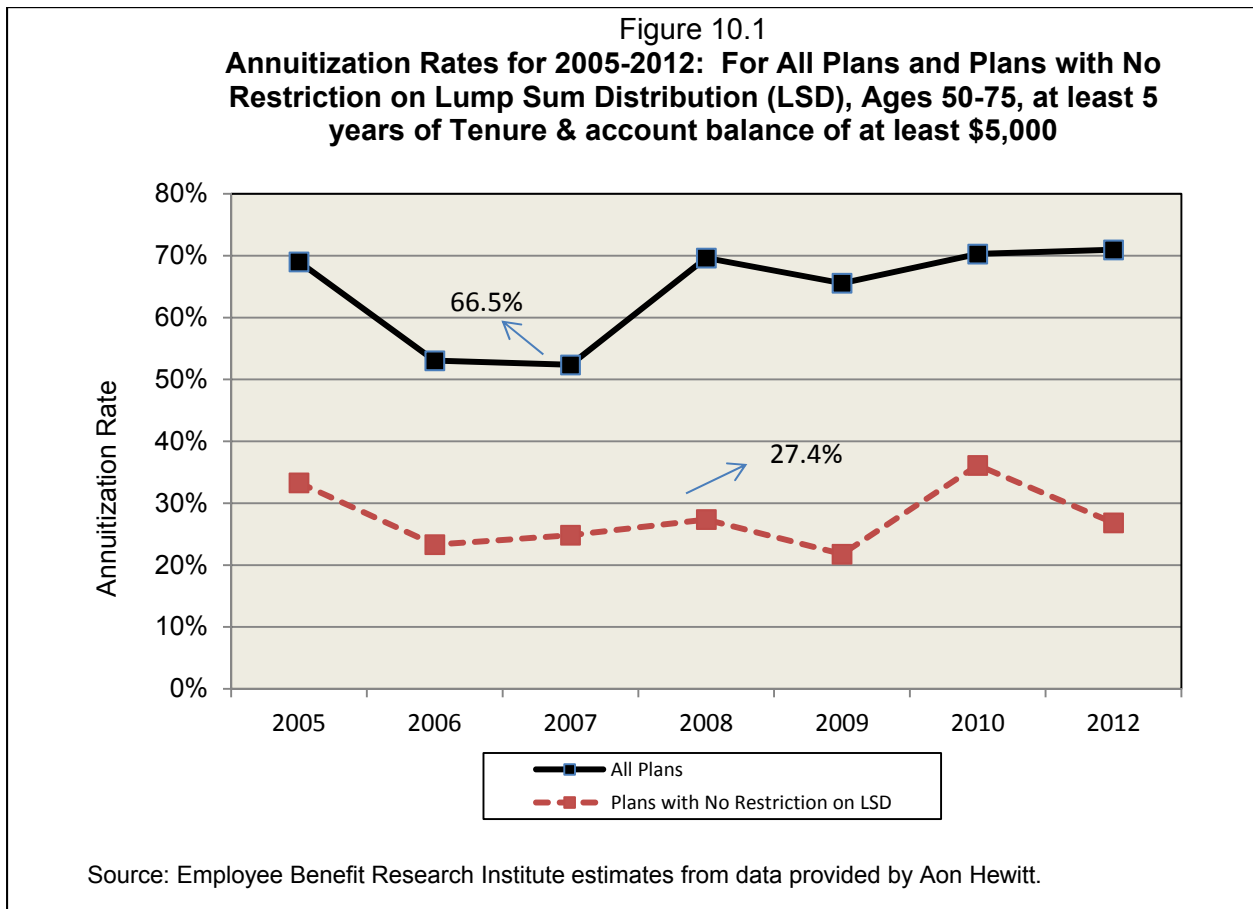


# EBRI Databook on Employee Benefits

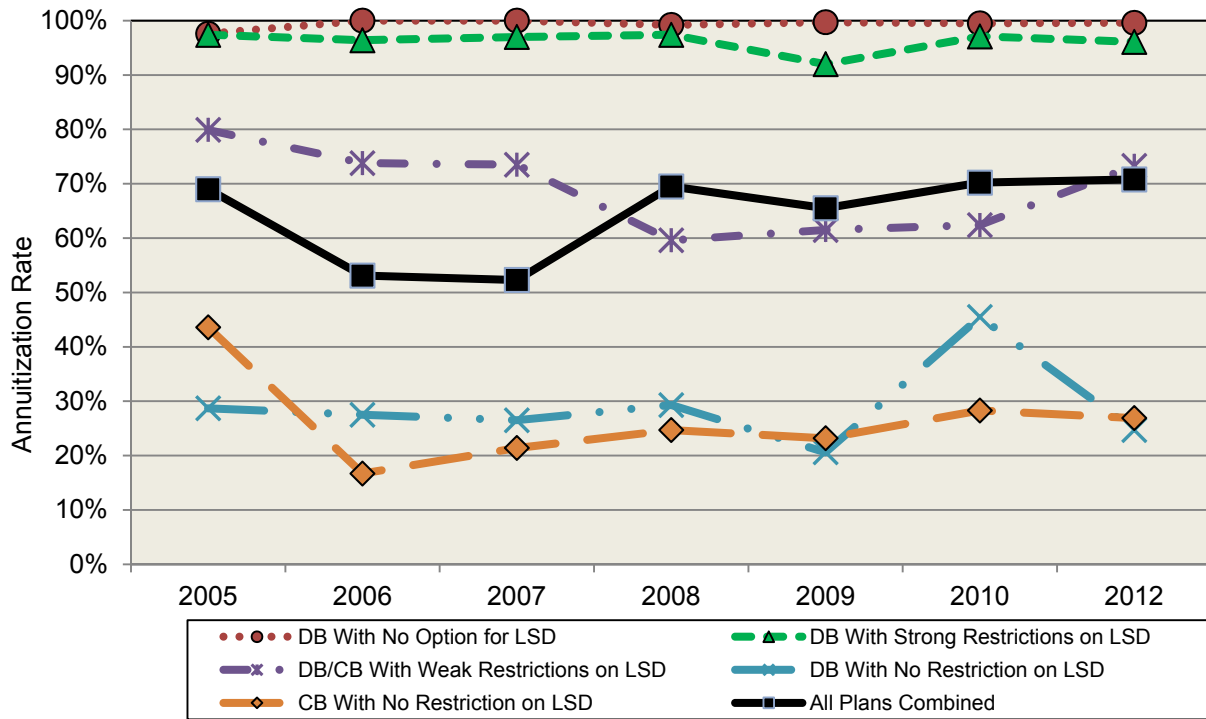
## Chapter 10

### Annuitization Trends in Defined Benefit Plans



This figure shows the average annuitization rates for all defined benefit (DB) and cash benefit (CB) plans (solid black line) is much higher than the annuitization rates in DB and CB plans which has no restriction on lump-sum withdrawals (dotted red line).

Figure 10.2a  
**Annuitization Rates for 2005–2012, by Restrictions on Lump-Sum Distributions, Ages 50–75, With at Least Five Years of Tenure and Account Balance of at Least \$5,000**



Source: Employee Benefit Research Institute estimates from data provided by Aon Hewitt.

This figure shows how the annuitization rates among older workers in DB and CB plans vary widely depending on the type of restriction imposed on lump-sum distribution (LSD). A higher degree of restriction on lump-sum distribution leads to higher annuitization rates.

Table 10.2b (Form 5500)

## Private Pension Plans and Participants

Summary of Private-Sector Qualified Defined Benefit and Defined Contribution Plans and Participants, Selected Years 1991-2006

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 <sup>a</sup>	2006
(thousands)																
Total Plans <sup>b,c</sup>	699	708	702	690	693	696	720	730	733	736	733	733	700	683	679	695
Defined benefit <sup>b</sup>	102	89	84	74	69	64	59	56	50	49	47	47	47	48	48	49
Defined contribution <sup>b</sup>	598	620	619	616	624	633	661	674	683	687	687	686	653	636	631	646
Defined contribution as percentage of total	85%	87%	88%	89%	90%	91%	92%	92%	93%	93%	94%	94%	93%	93%	93%	93%
(millions)																
Total Participants <sup>c,d</sup>	78	82	84	85	87	92	95	99	102	103	107	107	106	106	117	122
Defined benefit <sup>d</sup>	39	40	40	40	40	41	40	42	41	42	42	42	42	42	42	42
Defined contribution <sup>d</sup>	39	42	44	45	48	51	55	58	60	62	65	65	64	65	75	80
Defined contribution as percentage of total	50%	52%	52%	53%	55%	55%	57%	58%	59%	60%	61%	61%	60%	61%	64%	65%
Active Participants	43	45	45	46	47	47	50	52	f	f	f	f	f	f	f	f
Primary plan is defined Benefit <sup>e</sup>	26	25	25	25	24	23	23	23	f	f	f	f	f	f	f	f
Primary plan is defined Contribution	17	19	19	21	23	24	27	29	f	f	f	f	f	f	f	f
Defined Contribution as percentage of total	40%	42%	42%	46%	49%	51%	54%	56%	f	f	f	f	f	f	f	f

Source: Employee Benefit Research Institute tabulations based on U.S. Department of Labor, Employee Benefits Security Administration, Private Pension Plan Bulletin Historical Tables and Graphs (June 2010).

<sup>a</sup> Two significant changes have been made in the methodology used to create the 2005 Form 5500 Research File and Private Pension Plan Bulletin. These changes have been necessitated by two new restrictions on the data received by the Employee Benefits Security Administration (EBSA). First, beginning in 2005, IRS Schedule T is no longer a required schedule. Information from this schedule was previously used to adjust the number of —active participants— to exclude 401(k)-eligible workers who did not elect to receive employer contributions and non-vested, separated employees who had not incurred a break in service. The loss of information from this schedule has prompted EBSA to discontinue its adjustment of —active participants— in favor of accepting the definition of active participant provided in the instructions to the Form 5500. This change also affects the number of —total participants— because the number of individuals previously excluded from —active participants— had also been excluded from —total participants—. Second, at the time the 2005 Private Pension Plan Bulletin was completed, data from plan year 2005 was the most current, complete dataset available. Previously, the Bulletin relied on data from the year following the year in question. While some filers have already filed a Form 5500 for plan year 2006, these filings are currently far from complete. This change affects the methodology used in computing

<sup>b</sup> Excludes single participant plans.

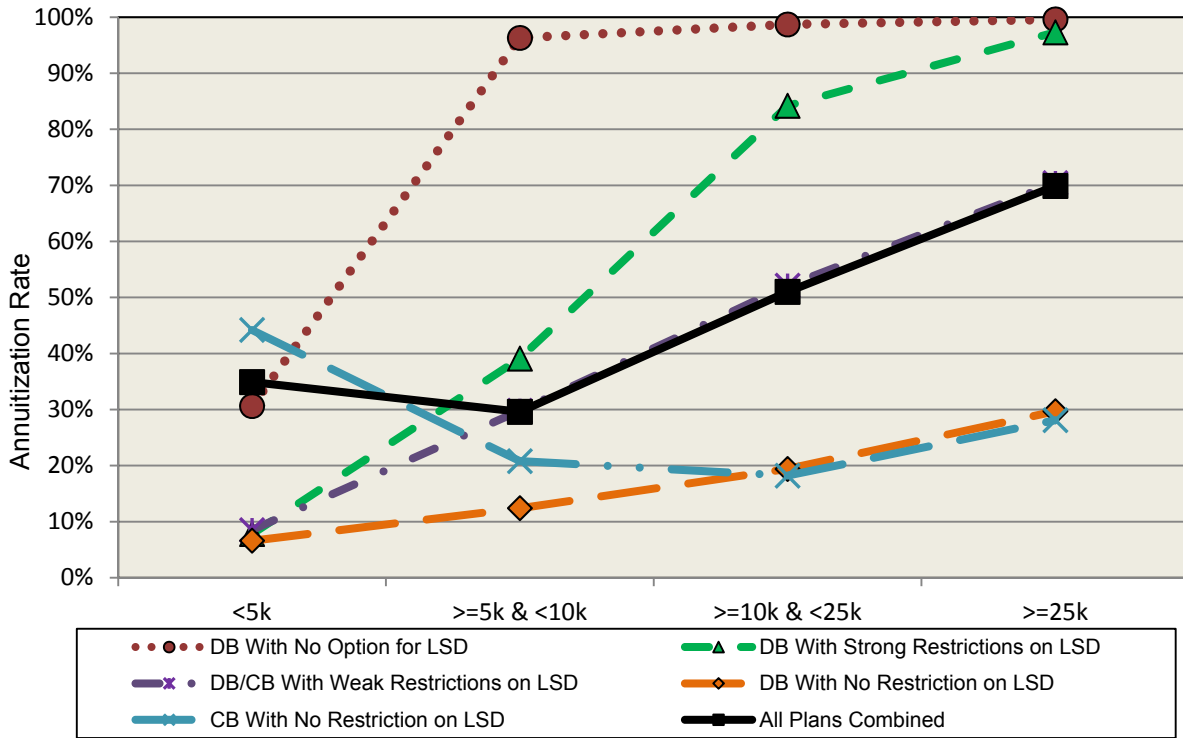
<sup>c</sup> Due to rounding, sums of individual items may not equal totals.

<sup>d</sup> Includes active, retired, and separated vested participants not yet in pay status. Not adjusted for double counting of individuals participating in more than one plan.

<sup>e</sup> For workers covered under both a defined benefit and a defined contribution plan, the defined benefit plan is designated as the primary plan unless the plan name indicates it provides supplemental or past service benefits.

<sup>f</sup> Data not available.

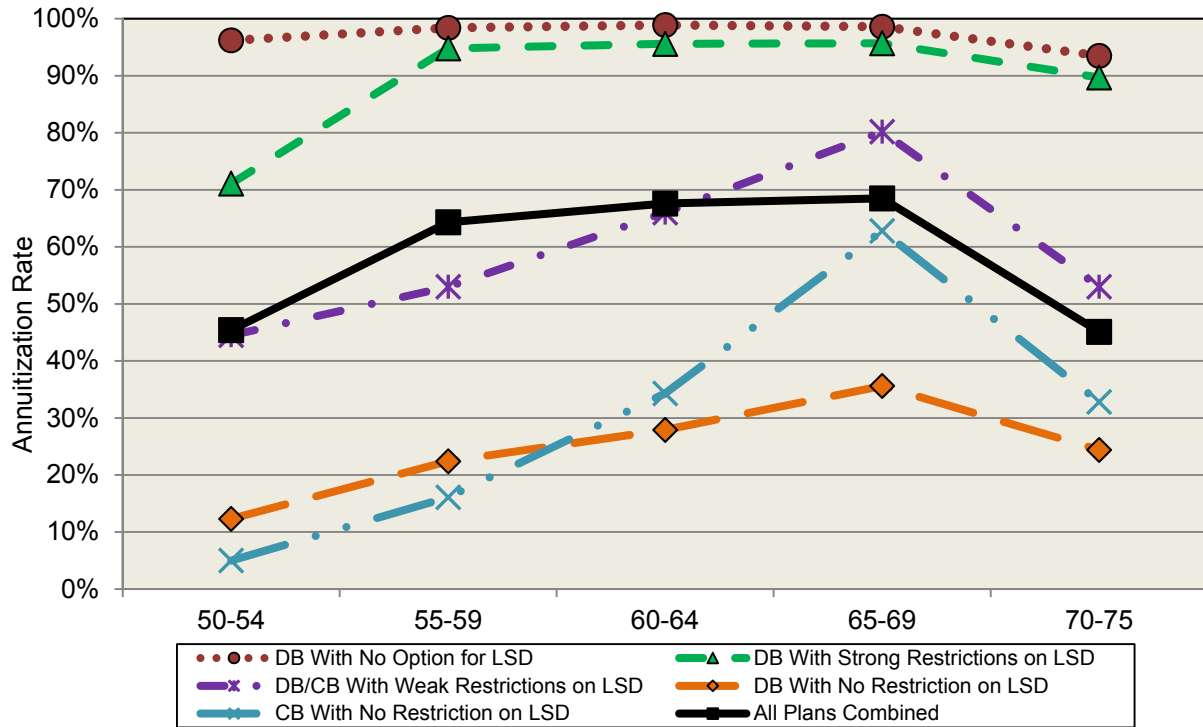
Figure 10.3  
**Annuitization Rates for 2005–2012, by Restrictions on Lump-Sum Distributions, Ages 50–75, by Account Balance**



Source: Employee Benefit Research Institute estimates from data provided by Aon Hewitt.

This figure shows how the annuitization rates across different types of plans (based on restrictions on lump-sum distributions (LSD)) vary by account balance for older workers.

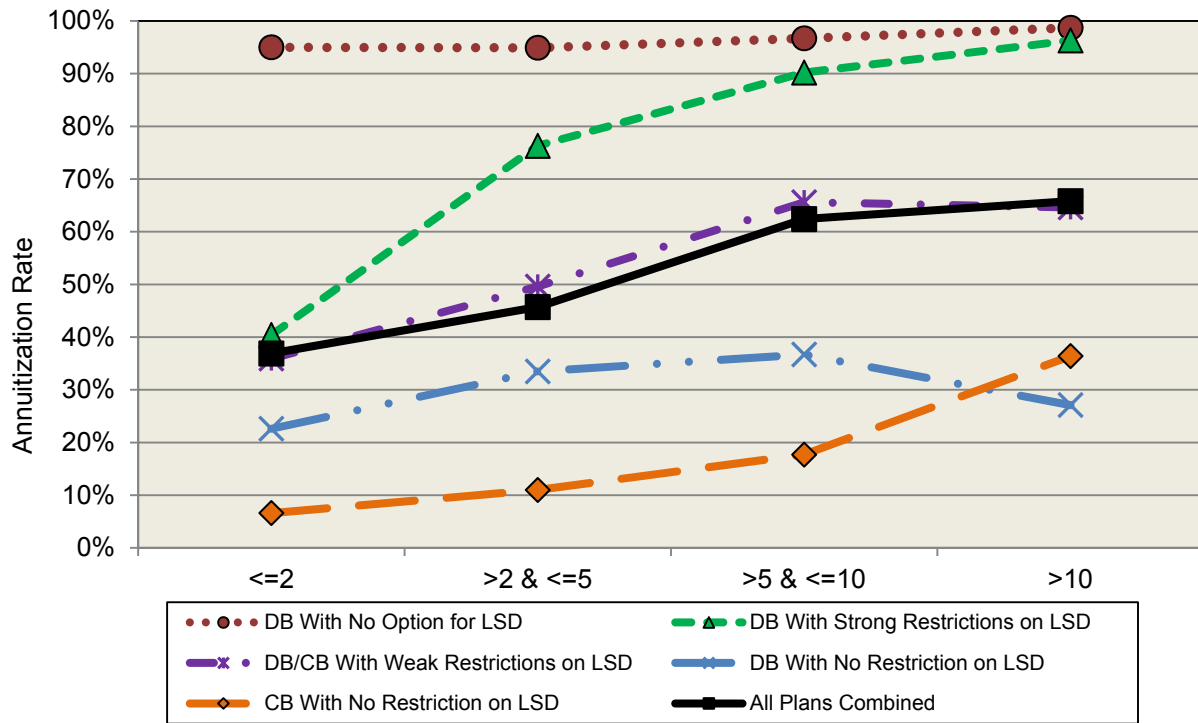
Figure 10.4  
**Annuity Rates for 2005–2012, by Restrictions on Lump-Sum Distributions, Ages 50–75, by Five-Year Age Groups**



Source: Employee Benefit Research Institute estimates from data provided by Aon Hewitt.

This figure shows how the annuitization rates across different types of plans (based on restrictions on lump-sum distributions (LSD)) vary by 5-year age groups for older workers.

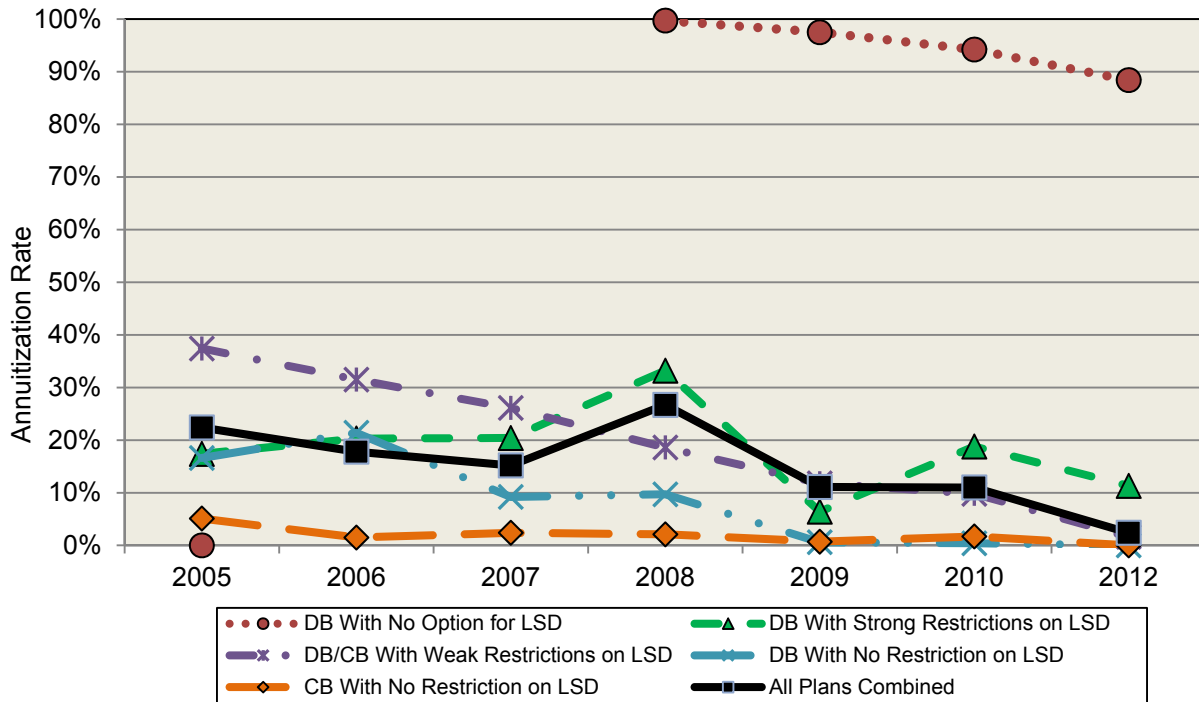
Figure 10.5  
**Annuitization Rates for 2005–2012, by Restrictions on Lump-Sum Distributions, Ages 50–75, by Tenure**



Source: Employee Benefit Research Institute estimates from data provided by Aon Hewitt.

This figure shows how the annuitization rates across different types of plans (based on restrictions on lump-sum distributions (LSD)) vary by tenure for older workers.

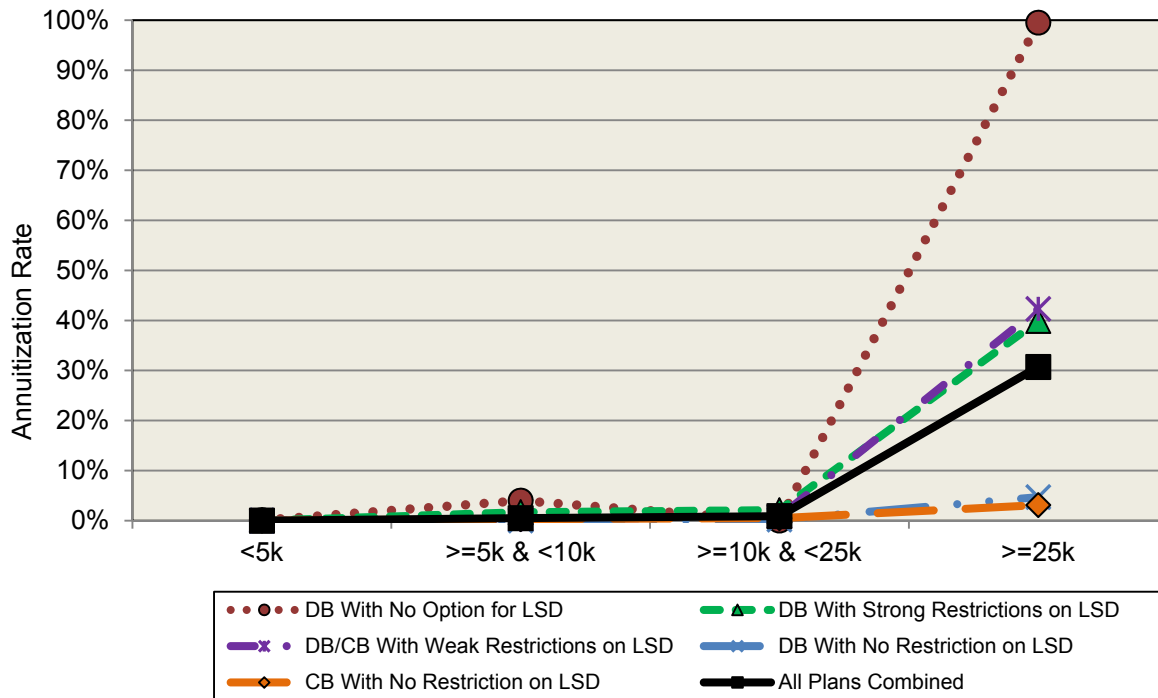
Figure 10.6  
**Annuitization Rates for 2005–2012, by Restrictions on Lump-Sum Distributions, Ages 20–50, With at Least Five Years of Tenure and Account Balance of at Least \$5,000**



Source: Employee Benefit Research Institute estimates from data provided by Aon Hewitt.

This figure shows how the annuitization rates among younger workers in DB and CB plans vary depending on the type of restriction imposed on lump-sum distribution (LSD). The degree of variation across plan types is less than older workers as the overall annuitization rates are much smaller. But the trend in variation is same as older workers: higher degree of restriction on lump-sum distribution leads to higher annuitization rates.

Figure 10.7  
**Annuitization Rates for 2005–2012, by Restrictions on Lump-Sum Distributions, Ages 20–50, by Account Balance**

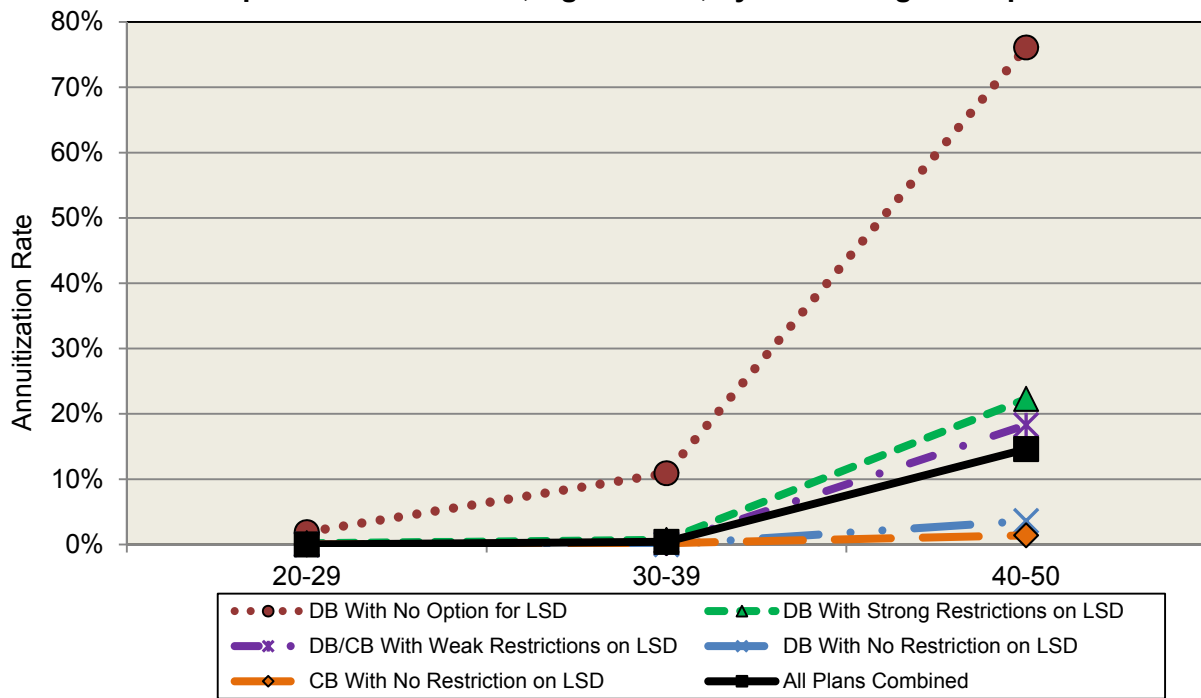


Source: Employee Benefit Research Institute estimates from data provided by Aon Hewitt.  
 Note: Sample size for DB with no option for LSD in the middle two categories is very small (less than 50).

This figure shows how the annuitization rates across different types of plans (based on restrictions on lump-sum distributions (LSD)) vary by account balance for younger workers.



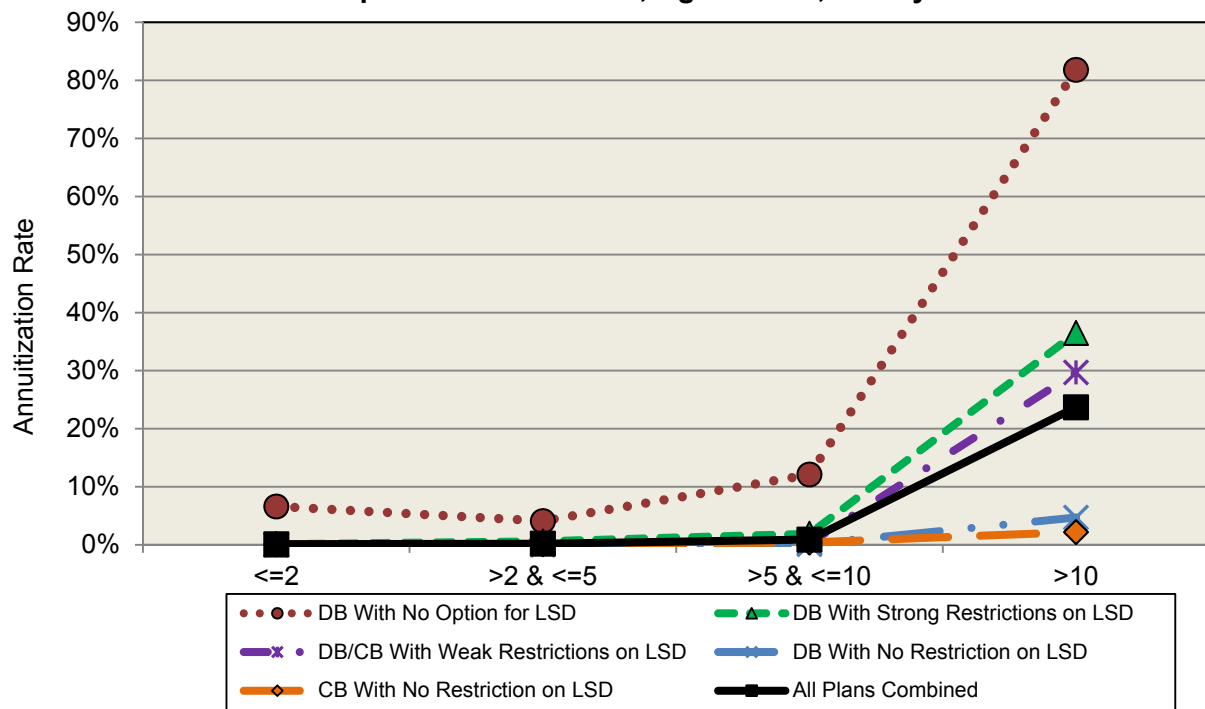
Figure 10.8  
**Annuity Rates for 2005–2012, by Restrictions on Lump-Sum Distributions, Ages 20–50, by 10-Year Age Groups**



Source: Employee Benefit Research Institute estimates from data provided by Aon Hewitt.

This figure shows how the annuitization rates across different types of plans (based on restrictions on lump-sum distributions (LSD)) vary by 10-year age groups for younger workers.

Figure 10.9  
**Annuitization Rates for 2005–2012, by Restrictions on Lump-Sum Distributions, Ages 20–50, and by Tenure**



Source: Employee Benefit Research Institute estimates from data provided by Aon Hewitt.

This figure shows how the annuitization rates across different types of plans (based on restrictions on lump-sum distributions (LSD)) vary by tenure for younger workers.