

▣ Cars ▣ Auto Financing ▣ Event Tickets ▣ Jobs ▣ Real Estate ▣ Online Degrees ▣ Business Opportunities ▣ Shopping

Search

How do I find it?

Subscribe to paper



The World's Best Email Marketing Tool TRY IT NOW FOR FREE! iContact Email Marketing Simplified™



Home News Travel Money Sports Life Tech Weather

Become a member of the USA TODAY community now! Log in | Become a member What's this?



Money » Personal Finance Taxes Retirement Mortgage/CD Rates Stock/Fund/ETF Screener More Personal Finance

GET A QUOTE: Enter symbol(s) or Keywords GO DJIA 8,353.70 ▲ +61.57 NASDAQ 1,705.25 ▲ +10.00 as of 11:34 AM ET © BigCharts

21st Century Retirement

Updated 2h 18m ago | Comments 61 | Recommend 5 E-mail | Save | Print | Reprints & Permissions | RSS

PLANNING YOUR FUTURE

Calculators: Figure what you'll need to retire by using our Retirement Planner calculator



Archive: Read more about retirement planning



PENSION FREEZES IN 2009

Companies that have frozen their pensions in 2009:

- Dow Jones
- Willis Group Holdings
- Lower Bucks Hospital
- Cigna
- Boise Cascade
- Cooper Tire & Rubber
- Wells Fargo
- Kimberly-Clark
- Anheuser-Busch
- Advance Publications
- Talbots
- B&C Trucking
- Regions Financial
- E.W. Scripps
- Spartan
- Atlanta Convention and Visitors Bureau
- Aon
- Cincinnati Bell
- McClatchy
- Saks

Source: Pension Rights Center

Traditional company pensions are going away fast

By Sandra Block, USA TODAY

Nine years ago, Devon Group, a small public relations and marketing group based in Middletown, N.J., began offering a traditional pension plan to its employees.

Business was booming, and the costs of offering the benefit "seemed very reasonable," says Jeanne Achille, Devon's chief executive officer. A pension plan also provided some valuable tax benefits for the firm, she says.

But after the economy deteriorated last year, "We realized that this was going to be too rich a benefit for us to continue," Achille says. "You're required to fund the plan every year, regardless of whether your profits are where you'd like them to be." Rather than continue funding the plan, Devon Group voluntarily terminated its pension and sent each employee a check for the amount accrued.

SHAKY GUARANTEE: Pension insurance agency is in the red

The number of companies offering traditional defined benefit pension plans was shrinking even before the recession, but the downturn has accelerated the decline. Since the beginning of the year, at least 20 companies have frozen their defined pension plans, exceeding the number of plan freezes for all of 2008. A recent survey by Watson Wyatt found that, for the first time, the majority of *Fortune* 100 companies are offering new salaried employees only one type of retirement plan: a 401(k) or similar "defined contribution" plan.

FIND MORE STORIES IN: [New Jersey](#) | [Alabama](#) | [General Motors](#) | [Chrysler LLC](#) | [Boise](#) | [Delta Air Lines](#) | [Lockheed Martin](#) | [Middletown](#) | [National Association of Manufacturers](#) | [Fidelity Investments](#) | [Devon](#) | [Watson Wyatt Worldwide](#)

The rapid disappearance of traditional pensions comes at a time when many workers have seen their retirement savings eviscerated by the bear market. The average 401(k) balance plummeted 27% last year, according to Fidelity Investments. While younger workers have time to make up the difference, workers in their 50s and 60s will have a hard time recovering their losses before retirement.

"The market collapse has just proven how fundamentally flawed 401(k) plans are as a vehicle to provide retirement income," says Karen Friedman, policy director for the Pension Rights Center.

But increasingly, employees can't rely on traditional pensions, either. Reasons they're endangered:

•Declining profits. In late April, Lockheed Martin said its first-quarter earnings fell 8.7% because rising pension costs outweighed an increase in sales. The defense contractor plans to continue its pension plan for existing participants, a company spokesman said.

But some plan sponsors fear they'll have to close plants or take other drastic actions unless they lower their pension costs, says Lynn Dudley, senior vice president, policy, for the American Benefits Council, a trade group for companies that offer employee benefits. Freezing a plan, she says, "is better than laying people off."


Related Advertising Links

What's This?


Manasquan Man Makes \$10,000 A Month
I got fired! I now earn more than my old boss. Find... [masongetsgreen.com](#)

Manasquan Mom Lost 47 lbs With 1 rule
I Cut Down 47 lbs of Stomach Fat In A Month By... [www.RachelRayBlogger.com](#)


Ads by Adblade




#1 Rule to Build Muscle
Learn how a student gained 10 Lbs. of muscle by obeying this one rule. [Learn more](#)




Picabo Street Reconnects...
with her old friends - Find Your School Friends & Browse 1,000,000s of Profiles Free [Learn more](#)



This Year's Top Hair Products
Review the hair products used by celebrities! Before you buy, see what's the top product of 2009. [Learn more](#)



'I Lost My Jiggly Fat'
I lost 48 lbs of stomach fat by following 1 simple rule! [Learn more](#)



1 flat stomach rule: (obey)
I cut out 3 lbs of stomach fat per week by obeying this 1 old rule. [Learn more](#)

USA TODAY Personal Finance E-mail Newsletters

Sign up to get:

- Tips on managing money
- Latest financial news
- Jobs, economy, taxes and more



 Sign Up Now

•**New funding requirements.** Investment losses in 2008 shrank the assets of the nation's largest pension plans to 79% of projected liabilities, down from 109% at the end of 2007, according to Watson Wyatt. At the same time, pension plan sponsors are facing stricter funding requirements to strengthen the long-term health of pension plans.

Those requirements, combined with the investment losses, are forcing companies to shovel more money into their pension plans at a time when they can least afford it, says Dena Battle, director of tax policy for the National Association of Manufacturers.

"The cost of that is jobs, a reduction in capital expenditures, a reduction in benefits, and unfortunately, that includes plan freezes," she says.

NAM and other groups representing plan sponsors are pressing lawmakers for temporary relief from the funding rules. So far, Congress hasn't acted. Some Democratic lawmakers and pension-rights advocates have proposed tying funding relief to a guarantee that a company won't freeze its pension for at least five years.

"If we do give employers more time to fund their plans, there should be something employers promise in return," Friedman says.

Battle says companies wouldn't accept such conditions because they would limit their ability to manage their businesses. In addition, she says, forcing companies to continue offering a pension would set a dangerous precedent, because this nation's employer-sponsored retirement system has always been voluntary.

Concerns that taxpayers could be on the hook for underfunded pension plans could also complicate efforts to ease the funding requirements.

On Wednesday, the Pension Benefit Guaranty Corp., which insures pensions for 44 million retirees, reported a \$33.5 billion deficit for the first half of fiscal 2009, up from \$11 billion in fiscal 2008. That shortfall, the largest in the agency's 35-year history, could increase dramatically if the agency is forced to take over pension obligations for General Motors and Chrysler. The PBGC says it has enough money to cover current liabilities.

•**Competitive pressures.** Even if Congress approves funding relief, some companies may go ahead and freeze their plans because their competitors aren't offering pensions, says Scott Jarboe, senior retirement consultant in for Mercer, a human resources consulting firm.

Health insurance giant Cigna, which announced this month that it will freeze its pension July 1, said in a statement its retirement package was "significantly higher" in value than plans provided by its competitors. "While the company continues to be financially stable, making this change will improve our competitive cost position," Cigna said.

•**Lack of interest.** When Devon Group adopted a traditional pension, the company thought it was offering a valuable benefit for its employees, chief executive Achille says. But she soon learned that young job candidates were more interested in a 401(k) plan, because they assumed they would change jobs several times during their careers. The company plans to offer a 401(k) plan later this year.

Company 401(k) plans offer "visibility and portability," says Alan Glickstein, senior retirement consultant at Watson Wyatt. "Everyone understands what an account is worth. With a traditional defined benefit plan, it's hard for employees to really understand their value."

However, huge losses in 401(k) plans — readily apparent to anyone who looks at an account statement — could change employees' attitudes toward traditional pensions, says Norman Stein, professor at the University of Alabama School of Law and a pension expert. In this environment, he says, "It shouldn't be a tough sell to get employees to say these are actually pretty valuable plans."

Older workers hardest hit

When a company freezes its pension, employees get to keep the benefits they've already accrued, but they usually won't earn any more.

That makes pension freezes particularly hard on older employees, who have less time to make up the difference by saving more. In addition, traditional pensions "are worth a lot more at the end of your career than at the beginning of your career," Friedman says. "If the freeze comes in your 40s and 50s, you end up with a much smaller benefit."

John Gaz, 46, a flight simulator technician for Delta Air Lines, saw his pension frozen in 2005. While the company upped matching contributions to his 401(k) plan, Gaz says he'll never be able to contribute enough to make up for the loss of his benefits. Gaz plans to leave his job at Delta at age 52, the first year he'll be eligible to draw money from his pension. "I will walk away from the airline industry, because there's nothing to keep me here anymore," he says.

In the past, most pension freezes were accompanied by improvements to the company's 401(k) plan. But in these tight-fisted times, that's no longer the case. Retail chain Talbots froze its traditional pension this year and also suspended matching contributions to its 401(k) plan. Similarly, Boise Cascade froze its pension plan for salaried employees and suspended matching contributions during the first quarter.

While 401(k) plans are considered less costly than traditional pensions, they're not immune from cutbacks during tough times. Since the beginning of the year, more than 200 employers have reduced or suspended contributions to their 401(k) plans, according to the Pension Rights Center.

Hybrid pensions could be coming

The cutbacks in 401(k) matches and pension freezes reflect companies' struggles to survive during extraordinarily difficult economic times, Glickstein says. And with unemployment approaching 9%, he says, "People aren't going

to be haggling over benefits if they can keep their job."

But Glickstein says he's not ready to write the obituary for pension plans.

When the economy recovers, he predicts, more companies will consider adopting a cash-balance pension plan, a hybrid pension that combines features of a 401(k) plan and a traditional pension. These plans can play a valuable role in encouraging older workers to retire, an important part of workforce management, Glickstein says.

Millions of workers are postponing retirement because they're afraid they can't afford to stop working.

"If people can't leave when they're ready to leave and you're ready to have them leave," Glickstein says, "that's an issue."

Share this story:

- Mixx it
- Yahoo! Buzz
- Digg
- Newsvine
- Reddit
- Facebook
- What's this?

Posted 14h 32m ago

Updated 2h 18m ago

E-mail | Save | Print | Reprints & Permissions | RSS

To report corrections and clarifications, contact Reader Editor **Brent Jones**. For publication consideration in the newspaper, send comments to letters@usatoday.com. Include name, phone number, city and state for verification. To view our corrections, go to corrections.usatoday.com.

Guidelines: You share in the USA TODAY community, so please keep your comments smart and civil. Don't attack other readers personally, and keep your language decent. Use the "Report Abuse" button to make a difference. [Read more.](#)

You must be logged in to leave a comment. [Log in](#) | [Register](#)

Post this comment to Facebook?

Comments: (61) Showing: **New:** Most recommended!



RealEstateLord (35 friends, [send message](#)) wrote: 2m ago

crankerz (0 friends, [send message](#)) wrote: 47m ago
If a company does not offer a pension, they're basically telling you that they don't care whether you stay or not. If you stay anyways, you only have yourself to blame. If they lose you, it's probably their loss, but it's their tough luck for not offering pension benefits, isn't it ?

IT's not the companys responsibility to take care of you forever, if you are to lazy to take care of yourself and save for retirement why should they care?

[Recommend](#) | [Report Abuse](#)



RealEstateLord (35 friends, [send message](#)) wrote: 4m ago

purplenights (1 friends, [send message](#)) wrote: 43m ago
ComradeDictatrix (116 friends, [send message](#)) wrote: 24m ago
free8765 wrote:

My sister in-law and I are both Civil Engineers. She is 54, worked 28 years for the federal government, is now retired, collects a \$68,000 per year pension that increases annually at the rate of inflation, and pays only 10% of the cost of her government provided health care.

I'm 59, worked 35 years in the private sector, and in three more years I can retire and collect \$15,000 per year social security plus another \$6000 per year pulled out annually from my 401K.

RealEstateLord wrote: Sounds like you should have taken a government job.

Exactly. I get tired of hearing people whine about the great pay and benefits of gov'ment jobs. If a person was too LAZY to fill out the paperwork and apply for their very own gov'ment job, then they have no right to be whining about how the gov'ment workers have it so much better than they do. Gov'ment jobs were fairly easy to get over the years (that may have changed in recent days, but in the past, they were a dime-a-dozen) and if a person just kept filling out applications, they'd have eventually gotten one.

While all of the above may be true, what people fail to realize is that when you work for the government, you are FORCED into joining their retirement programs, and you cannot exempt yourself. I work for state government, and I am currently being deducted just under \$350/payday just to be put in their "required" retirement fund. While many people may think this is a good thing, and a good way to MAKE people save for retirement, it takes away the worker's ability to decide for themselves if they really want that plan. I think all retirement programs, including social security,