Volume 30
Number 06
June 2020

Insider

Retirement offerings in the *Fortune* 500: 1998 – 2019

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The past two decades have seen a sweeping shift in retirement offerings from large employers, with the vast majority now providing only defined contribution (DC) and other account-based plans to newly hired employees. The shift away from traditional defined benefit (DB) to account balance plans gives today's increasingly mobile workforce more choices, flexibility and transparency, and helps employers manage the ongoing costs and risks/opportunities of providing retirement benefits.

Companies have made the transition to account-based plans in a variety of ways. Some closed or froze their traditional DB plans and then moved workers into hybrid pensions while others transitioned workers to a DC-only environment, sometimes offering a hybrid pension to some workers along the way. Many companies now have multilayered plan designs to accommodate different workforce segments, and most of these companies still manage assets and liabilities for these various plans.

Willis Towers Watson has been tracking retirement offerings from large companies for many years. This study takes a historical look at the primary retirement plans offered by current *Fortune* 500 companies between 1998 and 2019, thus showing how their retirement programs have evolved over the past 22 years. The analysis focuses on the employer's largest plan offered to newly hired salaried workers, disregarding separate plans for hourly/collectively bargained workers. Some sponsors closed or froze their primary plan but still maintain open plans for hourly or collectively bargained workers.

In 1998, 236 companies in today's *Fortune* 500 offered a traditional DB plan[1] to newly hired workers, compared with only 13 today. Nevertheless, a significant number of these sponsors still offer pension plans to newly hired workers, mostly in the form of hybrid (cash balance) plans.[2]

Highlights of the analysis include the following:

- In 2019, only 14% of *Fortune* 500 companies offered a DB plan (traditional or hybrid) to new hires, down from 59% among the same employers back in 1998.[3]
- 46% of these companies still employ workers who are actively accruing pension benefits, and 92% of those who sponsored a DB plan in 1998 still manage obligations and assets for the plans.
- There has been an uptick in plan freezes since the 2008 financial crisis among plans that were already closed to new hires. In 2008, 22% of companies that had offered a DB plan in 1998 had frozen their pensions and an additional 19% had closed their primary plan to new entrants. By 2019, 46% sponsored a frozen plan and an additional 22% had closed their primary plan.
- Additionally we have seen an uptick in plan terminations over the past decade. In 2008, 1% of sponsors that offered a DB plan in 1998 had terminated their primary plan. By 2019, this rose to 8% of sponsors.
- Almost half (49%) of pension sponsors in this analysis had a hybrid DB plan at some point, and 39% are still offering the same plan to new hires in 2019.
- Certain industry sectors, as well as employers whose pensions are relatively small (as compared with their market capitalization) and/or well funded, are more likely to offer a traditional pension plan to new hires.
- After eliminating a DB plan for new hires, most employers increase the benefits provided through the DC plan for employees not eligible for the DB plan.

[1] A traditional DB plan benefit is based on a formula that is typically linked to pay and years of service, and is expressed as an annuity at retirement age. Traditional DB plans can provide a predictable income stream in retirement, with the value of the benefit accruals rising sharply as the participant approaches retirement age, so these plans also encourage long-term commitment.

[2] Hybrid DB plans define the benefit as an account balance rather than an annuity. Hybrid benefits typically accrue more evenly across a worker's career than traditional DB benefits (although hybrid designs can increase benefit accruals as a function of age, service or a combination of the two). When hybrid plan participants leave their employer, they usually take their account balance with them. As hybrids are DB plans, they must offer an annuity as the primary distribution option.

[3] Unless otherwise indicated, all retirement plans in this analysis are those offered to newly hired salaried workers.

Figure 1. **Retirement plan sponsorship trends, 1998 – 2019**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total DB pension plans	285	283	281	276	274	265	250	234	213	186	172	156	142	128	116	108	96	88	84	79	74	70
Traditional DB plan	236	224	216	195	180	162	150	134	119	98	82	69	55	46	37	31	21	20	19	16	13	13
Hybrid pension plan	49	59	65	81	94	103	100	100	94	88	90	87	87	82	79	77	75	68	65	63	61	57
DC plan only	196	202	205	212	217	227	243	263	285	312	327	343	357	371	383	391	403	412	416	421	426	430

Note: Sponsorship is shown by plan type offered to salaried new hires at year-end. Trend data are shown for *Fortune* 500 companies and capture changes to their retirement plans from 1998 through June 2019.
Source: Willis Towers Watson

Evolution of *Fortune* 500 retirement plans: 1998 – 2019

Tracking the same group of *Fortune* 500 employers since 1998 shows a dramatic decline in traditional DB offerings. Between 1998 and 2019, the percentage of employers offering traditional DB plans to newly hired workers fell from roughly half (49% of all *Fortune* 500 companies) to 3% (Figure 1).

As discussed later in this analysis, over time, many employers have found portable, account-based retirement programs such as DC and hybrid DB plans to be a better fit for their company over traditional DB plans.

In 1998, 59% of the *Fortune* 500 offered some form of DB plan, and 41% offered only a DC plan to their newly hired workers. As is true today, DB plan sponsorship varied by industry (as discussed later in this analysis); for example, retail and high-tech industry employers tended to never offer DB plans to their workers.

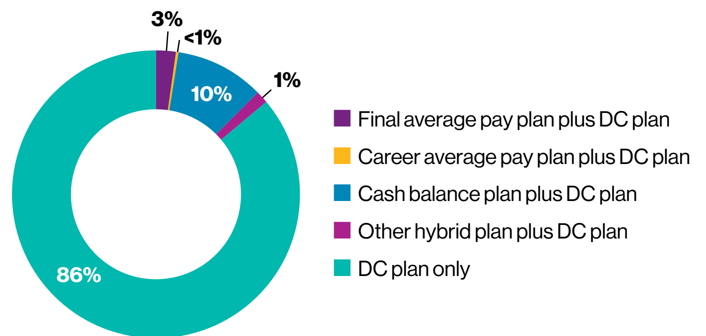
Fourteen percent of *Fortune* 500 employers still offered a DB plan to salaried new hires in 2019 (Figure 2). Among DB plan sponsors, 71% offered a cash balance plan, and 18% offered a traditional final average pay plan, with remaining sponsors offering alternative DB plan designs.

Employers followed different paths to their current retirement plan programs. Figure 3 depicts the most recent retirement action taken by these *Fortune* 500 companies.

When a sponsor freezes a DB plan, some or all of the benefits stop accruing for some or all participants; for example, a plan might stop accruing benefits linked to service but continue those linked to pay, or benefits might stop accruing for all participants younger than 50 with 15 or fewer years of service. Since 1998, 28% of *Fortune* 500 employers have frozen their primary DB plan, and another 13% have closed it. Nine percent have amended their traditional DB plan to a hybrid design and were still offering it to newly hired workers in 2019. Five percent have terminated their primary DB plan, meaning benefits were frozen and then fully settled via annuity purchases and/or lump sum payments. Nearly half (45%) have not changed their retirement plan type since 1998 (40% have offered a DC-only plan and only 5% have retained the same DB structure from 1998 to 2019).

As shown in Figure 4 (next page), employers often took more than one path to arrive at their current plan structure. Approximately 95% of employers that sponsored a traditional DB plan in 1998 no longer offer the plan to new hires. Fifty-five percent closed, froze or terminated their primary

Figure 2. **Retirement plan types offered in 2019**



n=500
Source: Willis Towers Watson

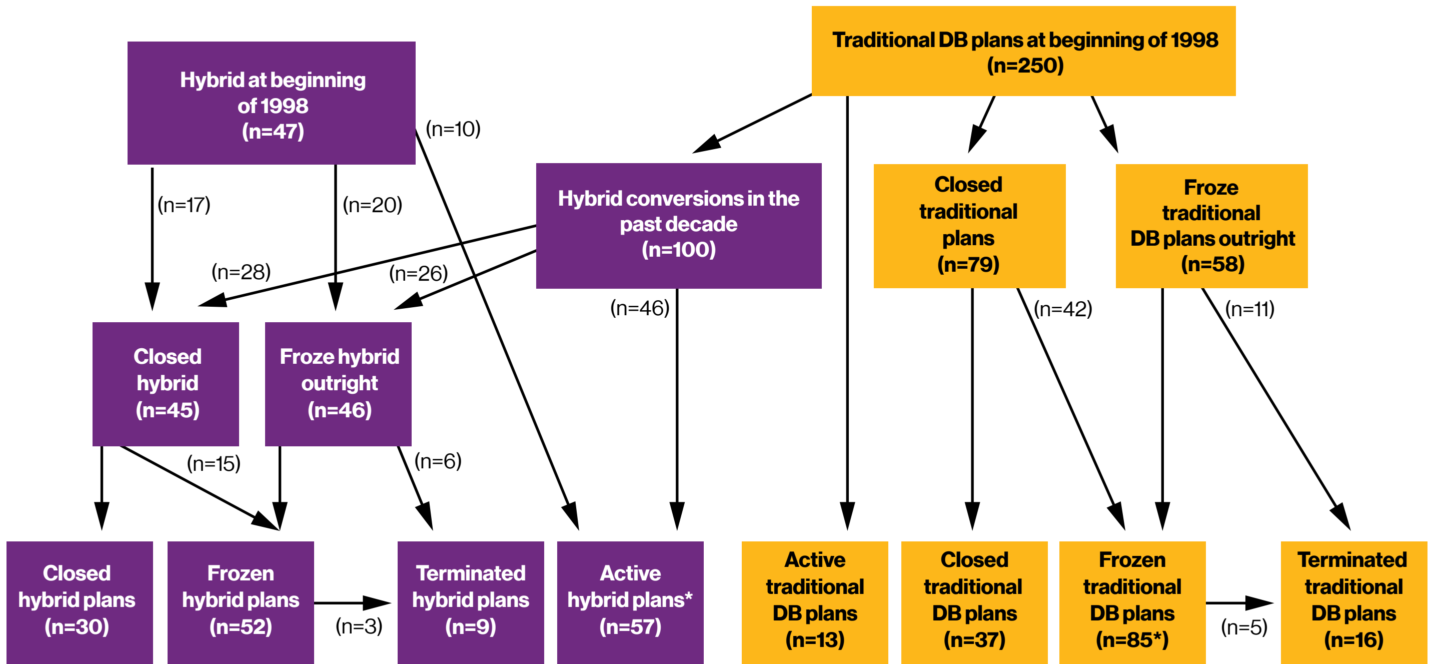
Figure 3. **Most recent changes to retirement programs since beginning of 1998**

55% of all *Fortune* 500 employers still manage pension assets and liabilities

Always DC **40%** Frozen DB **28%** Closed DB **13%**
Hybrid conversion **9%** No changes to DB (traditional or hybrid) **5%**
Terminated DB **5%**

n=500
Source: Willis Towers Watson

Figure 4. **Various paths taken by DB sponsors to arrive at 2019 offering for new hires**



A few companies were closed or frozen prior to 1998, but are included in this analysis as they froze or terminated their DB plan since 1998.
*Includes plans that were not existent in 1998.
Source: Willis Towers Watson

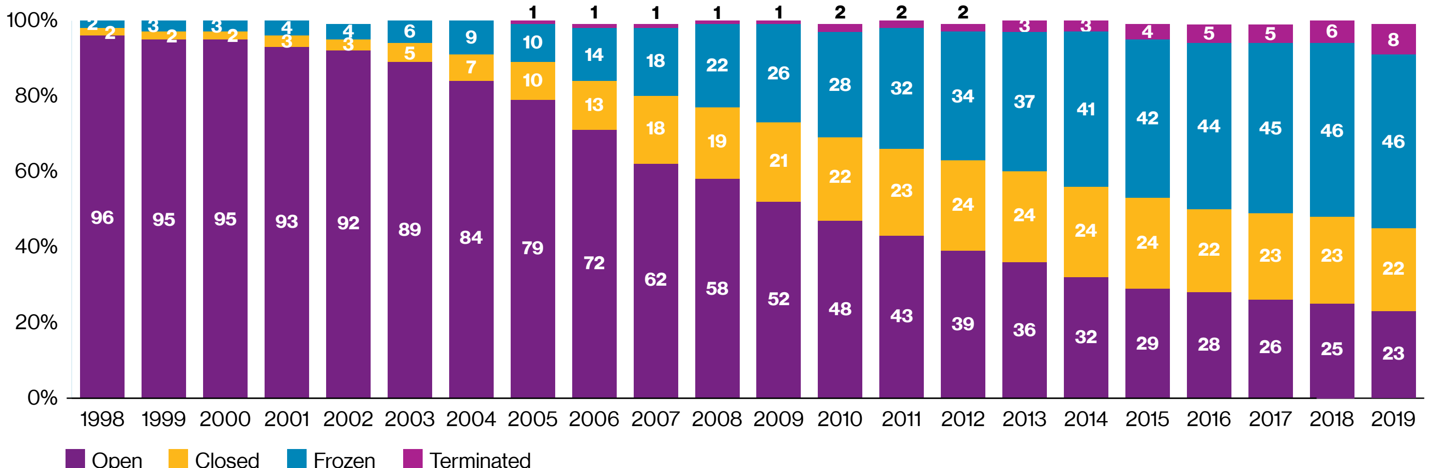
traditional DB plan and transitioned to a DC-only environment for salaried new hires, and 40% amended the traditional DB plan to a hybrid DB design.

The shift away from DB plans is less sweeping when hybrid sponsors are included. In 2019, 39% of *Fortune* 500 employers that had established a hybrid plan for salaried workers (or roughly half of all DB plan sponsors) still offered it to new hires.

Twenty percent of employers that offered a hybrid plan to all salaried workers in 1998 were still offering it in 2019, and 46% of employers that converted their traditional DB plan to a hybrid after 1997 still offered it to new hires.

Among *Fortune* 500 companies that offered a DB pension in 1998, the most common course of action has been to freeze the primary plan, though many sponsors took multiple steps to get there. Figure 5 depicts the evolution of open,

Figure 5. **Evolution of DB plan sponsorship for *Fortune* 500 companies, 1998 – 2019**



Source: Willis Towers Watson

closed, frozen and terminated pensions for all *Fortune* 500 companies that sponsored a pension in 1998.

The incidence of pension freezes rose significantly after the 2008 financial crisis. By 2014, there were more sponsors of frozen plans than of open primary plans for the first time during the 22-year analysis period. Back in 2008, 22% of plan sponsors had frozen pensions and 19% had closed their primary plan to new entrants. By 2019, 46% sponsored a frozen plan and another 22% had closed their primary plan.

Thirty-six percent of companies sponsoring frozen DB plans had closed their plans before freezing them. This pattern of first closing, then later freezing, has become more common over the past few years. In companies that froze their primary DB pension since 2014, 63% of the plans had already been closed to new entrants.

Figure 6 shows the interval between closing and freezing for DB plans that followed the close-then-freeze pattern. The average interval was 6.4 years, and the median interval was 6.0 years.

Retirement plan design trends by industry

While the shift to a DC-only environment has been widespread, there are variations among sectors. Figure 7 shows the *Fortune* 500 primary plans offered to new hires by industry sector at the beginning and end of the analysis period.

A little less than half of *Fortune* 500 employers in the utilities sector still offered DB plans to newly hired employees in 2019.

Figure 6. **Interval between DB plan closures and freezes among *Fortune* 500 companies**

	Years from close to freeze
Average	**6.4 years**
90th percentile	**12.2 years**
75th percentile	**9.0 years**
50th percentile	**6.0 years**
25th percentile	**3.0 years**
10th percentile	**1.0 year**

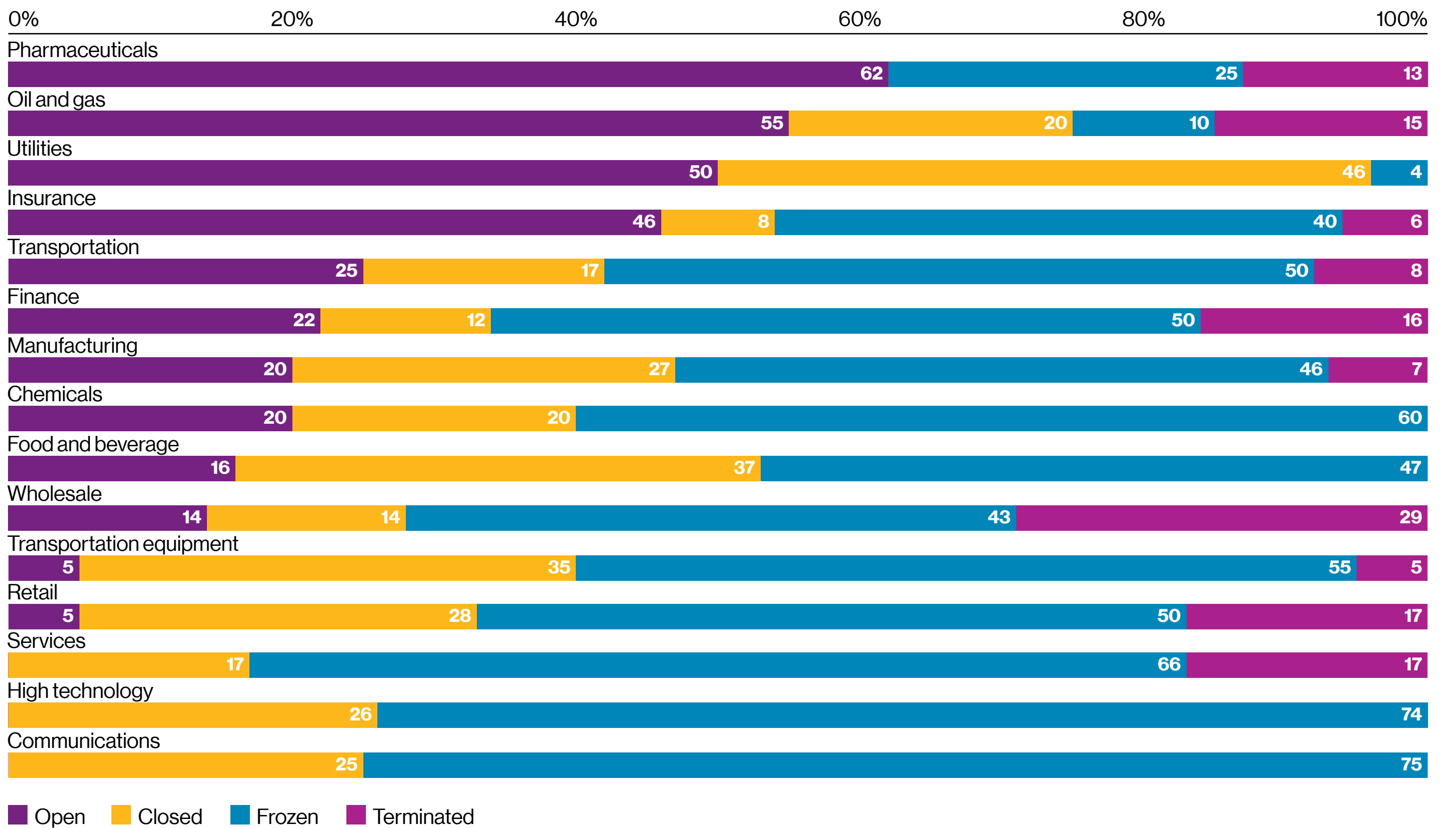
Source: Willis Towers Watson

Figure 7. **Plans offered to new hires by industry (sorted by open DB plan prevalence) in 1998 versus 2019**

	1998			2019			1998 – 2019
Industry (number of companies)	Traditional DB plus DC	Hybrid plus DC	DC only	Traditional DB plus DC	Hybrid plus DC	DC only	Growth in DC-only sponsorship
Utilities (26)	**71%**	**9%**	**20%**	**0%**	**46%**	**54%**	**34%**
Insurance (41)	**83%**	**5%**	**12%**	**7%**	**32%**	**61%**	**49%**
Pharmaceuticals (13)	**62%**	**0%**	**38%**	**23%**	**15%**	**62%**	**24%**
Oil and gas (32)	**55%**	**7%**	**38%**	**3%**	**31%**	**66%**	**28%**
Chemicals (16)	**62%**	**19%**	**19%**	**0%**	**19%**	**81%**	**62%**
Finance (42)	**58%**	**15%**	**27%**	**5%**	**12%**	**83%**	**56%**
Transportation (19)	**65%**	**6%**	**29%**	**5%**	**11%**	**84%**	**55%**
Manufacturing (40)	**67%**	**8%**	**25%**	**5%**	**10%**	**85%**	**60%**
Food and beverage (20)	**75%**	**20%**	**5%**	**0%**	**15%**	**85%**	**80%**
Wholesale (31)	**31%**	**10%**	**59%**	**0%**	**6%**	**94%**	**35%**
Automobiles and transportation equipment (14)	**75%**	**8%**	**17%**	**4%**	**0%**	**96%**	**79%**
Retail (63)	**21%**	**5%**	**74%**	**0%**	**2%**	**98%**	**24%**
Health care (15)	**0%**	**20%**	**80%**	**0%**	**0%**	**100%**	**20%**
High technology (40)	**48%**	**10%**	**42%**	**0%**	**0%**	**100%**	**58%**
Communications (19)	**61%**	**6%**	**33%**	**0%**	**0%**	**100%**	**67%**
Services (35)	**9%**	**19%**	**72%**	**0%**	**0%**	**100%**	**28%**
Property and construction (14)	**8%**	**0%**	**92%**	**0%**	**0%**	**100%**	**8%**

Source: Willis Towers Watson

Figure 8. **Current status of *Fortune* 500 DB plans by industry**



Source: Willis Towers Watson

Utilities are typically heavily unionized and generally prefer to keep their retirement structure consistent between their union and nonunion workforces. Moreover, many jobs at utilities companies are physically demanding, and DB plans facilitate retirement at an appropriate time.

While hybrid plans are the most prevalent DB offering, some pharmaceutical companies still offer traditional DB plans to most salaried new hires. This sector and the insurance sector sponsor almost half (46%) of all traditional DB plans offered to new hires today. Insurance-sector employees may be more likely than other workers to understand and appreciate DB plans, hence their higher rate of DB offerings (both traditional and hybrid) relative to many other sectors. Additionally the oil and gas sector also has a relatively high pension sponsorship rate, albeit in the form of hybrid DB plans.

The services and retail sectors have had low DB sponsorship rates historically, and DC plans are probably a better fit for them (e.g., their relatively high turnover makes portability more important).[4]

Economic conditions and workforce demographics affect plan design trends.

Economic conditions and workforce demographics affect plan design trends. Between 1998 and 2019, the most striking upticks in DC-only sponsorship were in the food and beverage, automobiles and transportation equipment, chemicals, communications, finance, high-tech, manufacturing and transportation industries – 55% in transportation and 80% in food and beverage, with the others falling in between. The food and beverage industry and communications industry have also had significant shifts (over 35%) from DB to DC-only since the 2008 financial crisis (not shown in the figures).

Looking only at companies that offered a DB pension at some point, most sectors – with the exceptions of food and beverage, manufacturing, energy/natural resources, pharmaceuticals and utilities – now have more frozen than closed plans (Figure 8). At least 50% of the companies in

[4] See "Median years of tenure with current employer for employed wage and salary workers by industry, selected years, 2008-2018," Table 5, Economic News Release, U.S. Bureau of Labor Statistics, at **www.bls.gov/news.release/tenure.t05.htm**.

which some workers are still accruing pensions are in the food and beverage, oil and gas, pharmaceuticals, utilities and insurance sectors.

DB plan sponsorship by relative plan size

There is a relationship between relative plan size – projected benefit obligation (PBO)[5] over market capitalization – and pension changes. Figure 9 shows pension size at fiscal year-end (FYE) 2018 by the most recent change to the primary DB plan.

On a median basis, open DB plans were slightly smaller relative to a company's market capitalization than frozen and closed plans. The difference was even more pronounced on an average basis, mostly because employers with very large plans were more likely to close or freeze their primary DB plan. Many hybrid plans had a much lower PBO-to-market-cap ratio because lump sum distributions are prevalent among these plans.

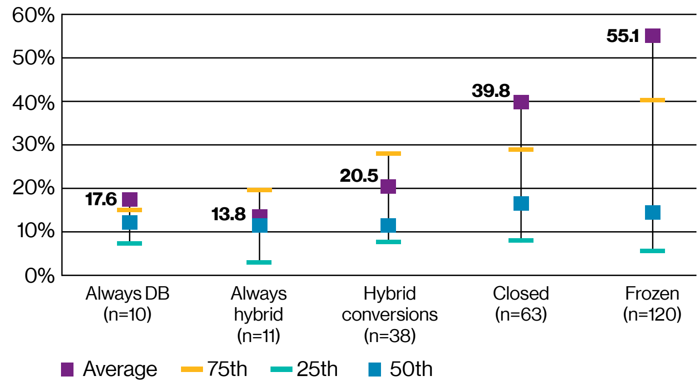
Figure 10 depicts 2019 plan status for all DB plan sponsors in the *Fortune* 500 – open, closed or frozen – broken out by pension size. Almost every company whose DB plan obligation was more than 50% of the firm's value has switched to a DC-plan-only environment.

Forty percent of employers whose DB plans were between 5% and 9% of their firm value still offered the plan to salaried new hires in 2019. These employers' relatively low pension risk/opportunity might be one reason for keeping their primary DB plan open. On the other hand, only 15% of plans whose obligations were less than 5% of the company's market capitalization remained open to new hires in 2019. The finance sector includes many employers with small plans relative to firm value but has one of the highest growth rates in DC-only sponsorship.

Plan sponsorship also varies with the plan's funding deficit/surplus relative to the sponsor's market capitalization. A plan might have both large obligations relative to the value of its sponsor and manageable funding levels or even a surplus. Figure 11 depicts the relationship between relative funding deficits/surpluses and status of the primary DB plan. Plans with significant deficits relative to the sponsor's market capitalization are more likely to be closed or frozen than those with smaller deficits and surpluses.

[5] A pension's projected benefit obligation (PBO) is an actuarial liability equal to the present value of liabilities earned and the present value of liability from future compensation increases.

Figure 9. **Average plan size at FYE 2018 by last retirement plan action taken**



Note: Entries are shown for companies whose financial data were readily available.
Source: Willis Towers Watson

Figure 10. **Retirement plan status during 2019 based on relative plan size at FYE 2018**

Size (PBO/market capitalization)	2019	
	DB plan plus DC plan	DC only (once DB for new hires)
100% or greater	7%	93%
50% to 99%	4%	96%
30% to 49%	27%	73%
20% to 29%	25%	75%
10% to 19%	31%	69%
5% to 9%	40%	60%
Less than 5%	15%	85%

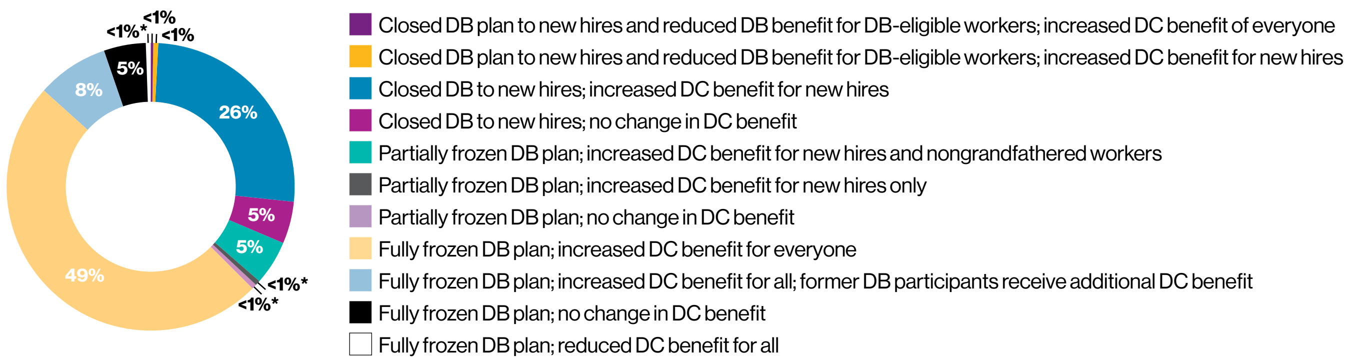
Note: Entries are shown for companies whose financial data were readily available.
Source: Willis Towers Watson

Figure 11. **Retirement plan status in 2019 based on funding deficits/surplus over market capitalization at FYE 2018**

Pension deficit/surplus over market capitalization	2019	
	DB plan plus DC plan	DC only (once DB for new hires)
10% or greater	10%	90%
5.0% to 9.9%	13%	87%
3.0% to 4.9%	31%	69%
1.0% to 2.9%	31%	69%
0% to 0.9%	25%	75%
Surplus	28%	72%

Note: Entries are shown for companies whose financial data were readily available.
Source: Willis Towers Watson

Figure 12. **Transition approaches in moving from DB to DC-only environment**



Note: Results are shown where transition data were available.
*Less than 1%; chart does not sum to 100% due to rounding.
Source: Willis Towers Watson

Transitioning workers from a DB plan to a DC plan

Most employers follow one of three broad paths to a DC-only environment. The first is to close the primary DB plan to new hires. The second approach is a partial plan freeze, in which only participants who meet certain age and/or service requirements continue accruing benefits. All other participants are switched to the primary retirement plan offered to salaried new hires. The third approach is a complete freeze, where the plan stops all accruals, and all participants are moved to the retirement program offered to new hires.

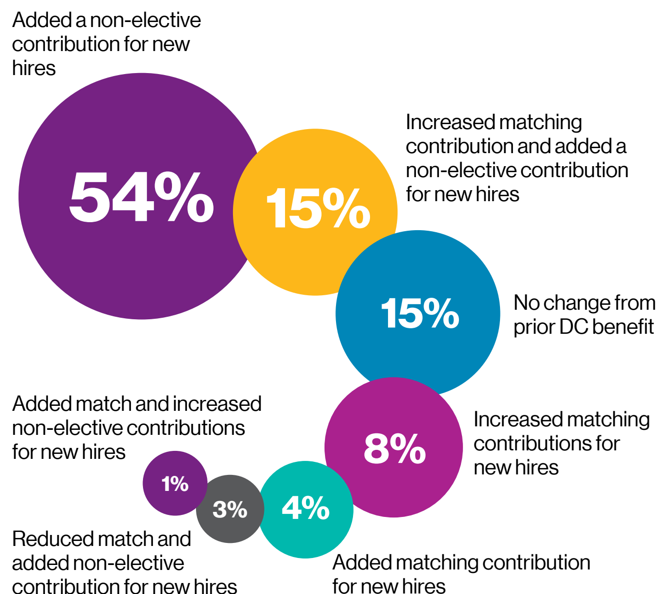
Of employers that adopted a DC-only approach since 1998 and still manage pension obligations, 31% closed the primary DB plan, 6% partially froze the primary DB plan,[6] and the remaining 63% froze the primary plan completely by 2019. If an employer implemented one transition approach and later changed it, these results for the purpose of this analysis capture the latest status of the plan.

As shown in Figure 12, employers varied the details within the three broad transition approaches. The most frequent approach (49%) was freezing the primary DB plan completely and enhancing benefits in the DC plan for all workers. The next most common practice (26%) was keeping the primary DB plan open for current participants and increasing DC benefits for newly hired workers. Eight percent of employers froze the primary DB plan completely, enhanced DC benefits for everyone and gave former DB plan participants a larger DC benefit than new hires.

Changes made to DC plans after eliminating the DB formula

Almost all employers that closed their primary DB plan increased benefits in the DC plan for salaried new hires. As shown in Figure 13, the most prevalent approach (54%) was to add a nonmatching contribution to the DC plan, meaning

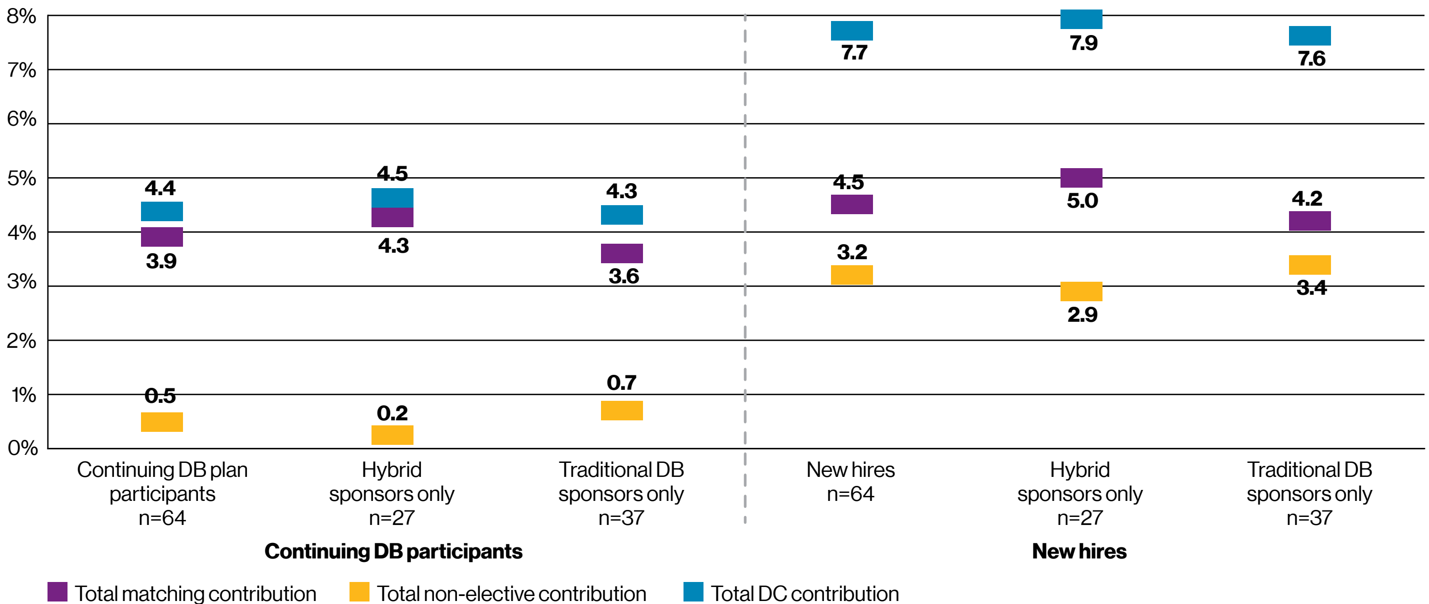
Figure 13. **Changes to DC plans in companies that closed their DB plans**



n=67
Note: Results are shown where transition data were available.
Source: Willis Towers Watson

[6] Of the companies that partially froze their DB plans, all but one were traditional DB plans before the change.

Figure 14. **Employer contributions to DC plans at companies that closed their primary DB plan (% of pay)**



Note: Results are shown where transition data were available.
Source: Willis Towers Watson

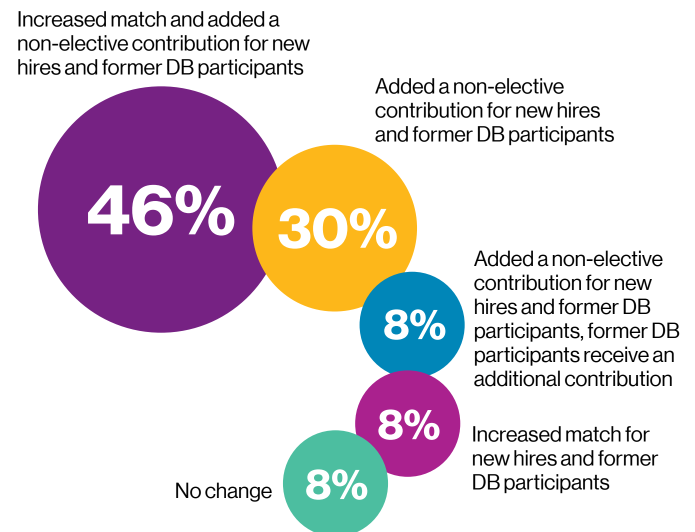
the employer contributes even if the employee does not. Fifteen percent of employers increased the match for newly hired employees and added a nonmatching component to their plan design.

Because non-pension-eligible workers received higher DC benefits than DB plan participants, we next quantify DC contributions as a percentage of pay for these two groups of workers. Figure 14 shows total DC employer contributions for two 35-year-old employees earning $50,000 per year: one a new hire and the other a continuing DB plan participant with five years of service.

Total employer contributions to DC plans for new hires were an average of 3.3% of compensation higher than contributions for their pension-eligible counterparts. Most of the increase reflects higher non-matching contributions for new hires (which generally would not fully replace the pension loss).[7]

We next analyze changes to the DC plan when the sponsor partially froze the primary DB plan, meaning some workers remained pension-eligible while others were moved into the DC-only program. As shown in Figure 15, the most prevalent action (46%) was to increase the employer match and add a non-elective contribution for new hires and former DB participants. The second most popular transition strategy was to add a non-elective contribution in the DC plan for new hires and former DB participants (30%).

Figure 15. **Changes to DC plan in companies that partially froze their primary DB plans**



n=13
Note: Results are shown where transition data were available.
Source: Willis Towers Watson

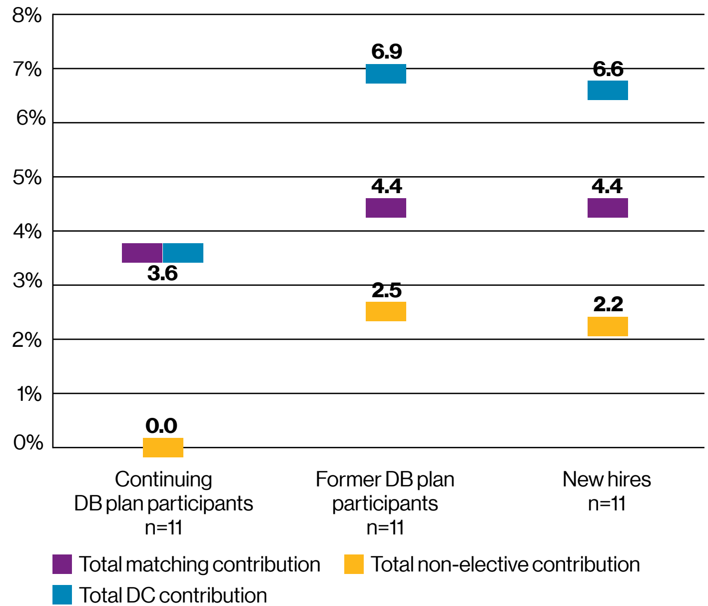
[7] See "**Shifts in benefit allocations among U.S. employers**," *Insider*, July 2017.

Figure 16 quantifies DC benefits as a percentage of pay for employers that partially froze their primary DB plans. Employers contributed more to DC accounts for former DB plan participants and new hires than to the accounts of those who remained DB plan-eligible, by roughly 3.3% and 3.0% of compensation, respectively. Among these employers, on average, the additional benefit for former DB plan participants and new hires was distributed fairly evenly between the match and non-match. All but one of the employers that partially froze their primary DB plan had provided a traditional plan before moving to a DC-only environment for new hires and some formerly pension-eligible workers.

We next analyze what happened to DC plans when the sponsor moved all employees to a DC-only program (Figure 17).

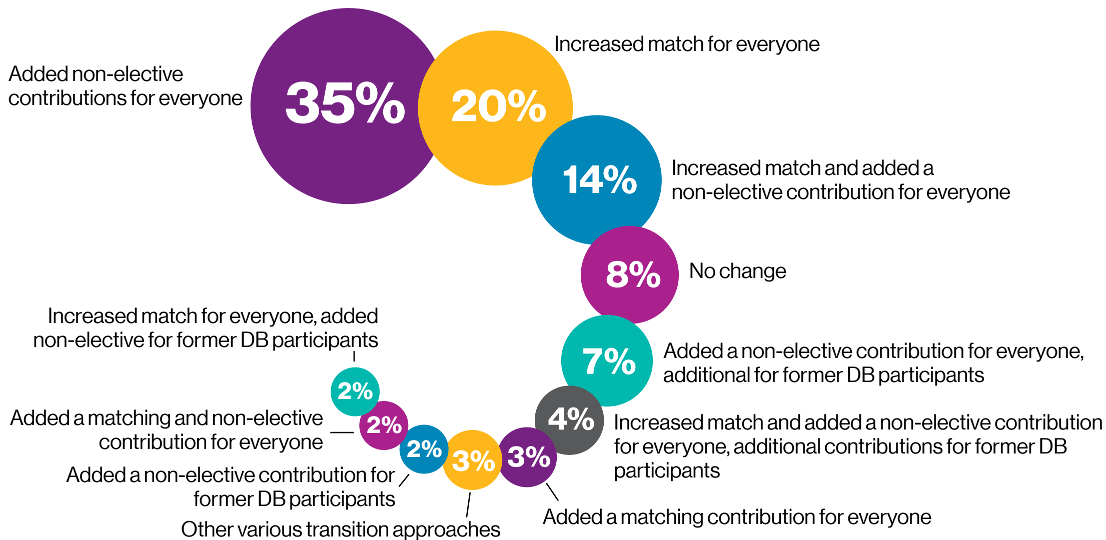
After a full pension freeze, the majority of employers either added a nonmatching contribution to the DC plan, increased the current match or some combination of the two. In 17% of companies that completely froze their primary DB plans, former DB plan participants received larger DC contributions than those who were never enrolled.

Figure 16. **Employer contributions to DC plans at companies that partially froze their primary DB plans (% of pay)**



Note: Results are shown where transition data were available.
Source: Willis Towers Watson

Figure 17. **Changes to DC plans in companies that fully froze their primary DB plans**



n=133
Note: Results are shown where transition data were available.
Source: Willis Towers Watson

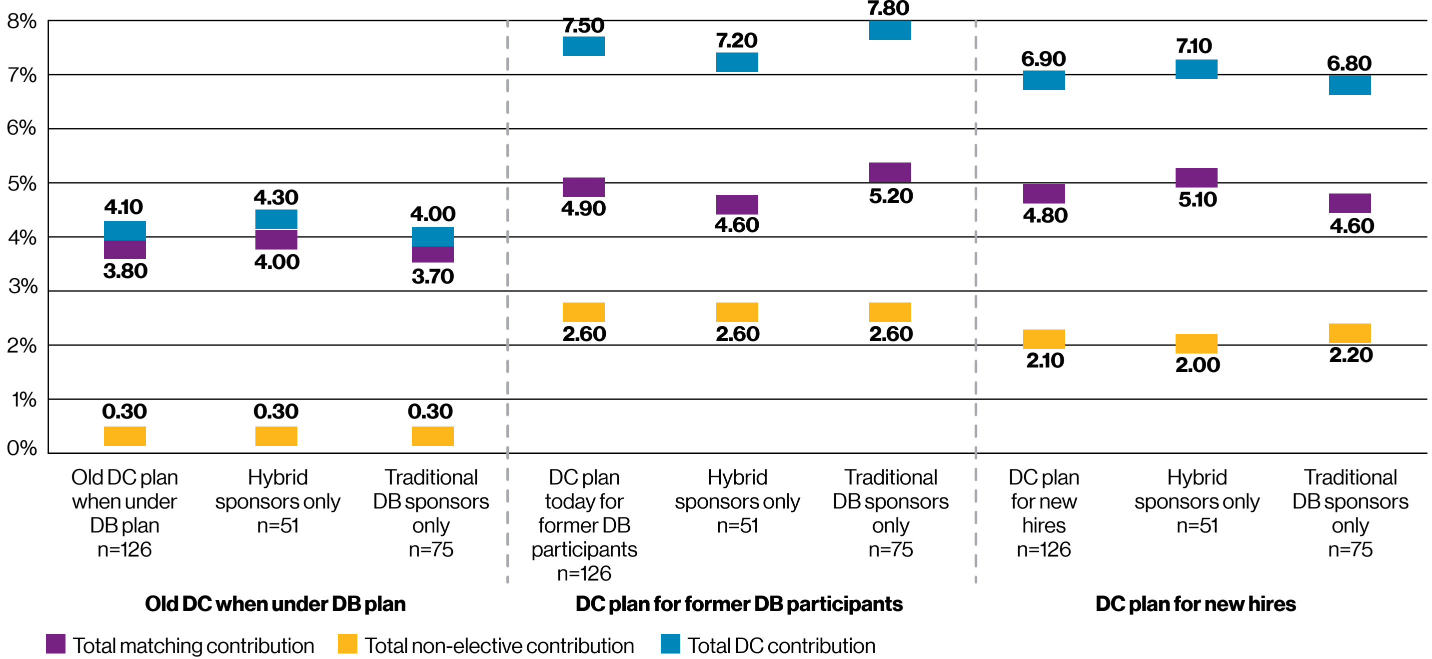
Figure 18 shows average DC employer contributions for former DB plan participants and new hires, as well as what the DC plan used to yield before the primary DB plan was fully frozen.

In transitioning from the original DC to the enhanced DC plan, former DB participants gained an average 3.4% of pay in their DC plan. The difference between new hires and former DB participants was roughly 0.6% of pay, most of which derived from nonmatching contributions.

Plan terminations

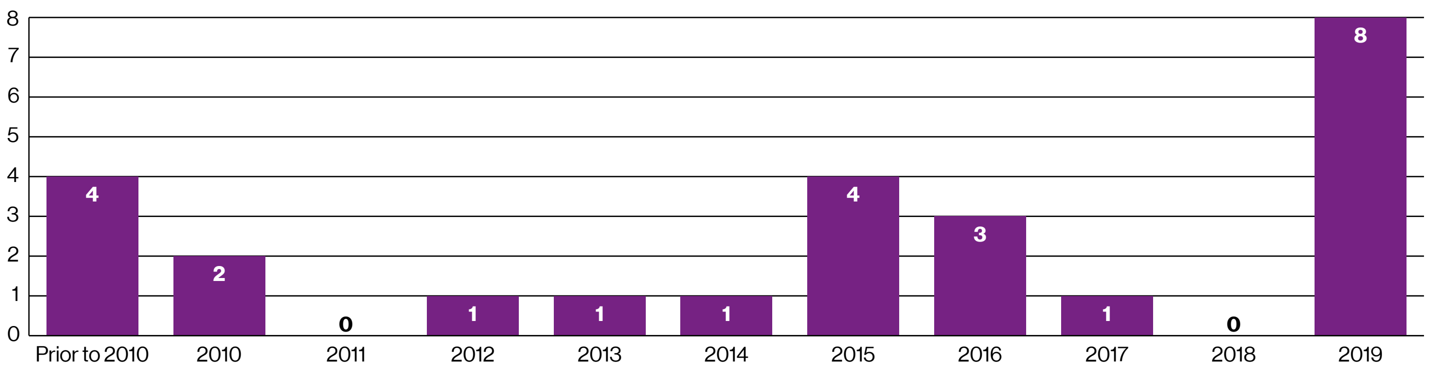
As companies continue looking for ways to alleviate their pension foothold, an increasing number of *Fortune* 500 companies have terminated their primary pension plan. Among companies that maintained a pension plan in 1998, 25 (or 8%) have since terminated their primary plan, meaning benefits were frozen and then fully settled via annuity purchases and/or lump sum payments. As shown in Figure 19, roughly a third of companies that terminated their plan did so in 2019.

Figure 18. **Employer contributions to DC plans at companies that fully froze their primary DB plans (% of pay)**



Note: Results are shown where transition data were available.
Source: Willis Towers Watson

Figure 19. **Year of plan terminations by *Fortune* 500 companies, 1998 – 2019**



Source: Willis Towers Watson

In most cases, companies first froze their plan and then terminated it at a much later date. Among companies in this analysis that terminated, the average time between a company fully freezing and then terminating its main DB plan was 6.7 years.

Transitioning workers from a traditional DB plan to a hybrid plan

In 2019, roughly 81% of active pension sponsors in the *Fortune* 500 offered a hybrid pension (or 11% of all *Fortune* 500 companies), and around 82% of them (47 of 57) had a traditional DB plan in 1998. Figure 20 depicts the timing of these DB-to-hybrid-plan conversions.

In the earlier years of the analysis, employers were converting traditional pensions to hybrids at a steady pace: Less than half (45%) of these conversions were before 2004. There was a lull between 2004 and 2006, most likely due to the legal and regulatory uncertainty about whether these plans were age discriminatory. After later court rulings and the Pension Protection Act of 2006 (PPA) resolved the issue, conversions picked up again but have slowed over the past few years.

Employers that converted their traditional DB plans to hybrids after 1998 (and still offered them in 2019) used various methods to transition workers into the new hybrid formula. Twenty-six percent of employers kept current workers in the traditional DB plan and enrolled new hires in the hybrid plan. An additional 26% allowed employees to choose between the traditional pension plan and the hybrid plan. Four percent kept workers who met specific age and/or service criteria in the traditional plan and shifted other workers into the hybrid plan.

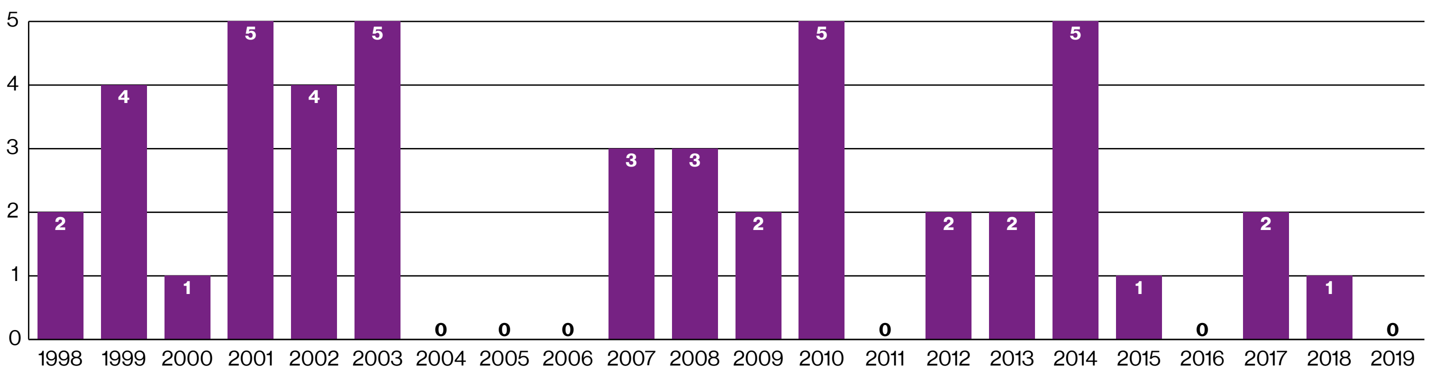
[T]he average time between a company fully freezing and then terminating its main DB plan was 6.7 years.

Thirty-four percent of these active hybrid sponsors froze traditional accruals and moved all workers to the hybrid plan. Among this group, three-fourths used an A + B approach, where A represents the frozen traditional pension benefit and B represents the accruing hybrid balance. The other one-fourth froze the traditional DB plan and converted the pension accruals into opening account balances.[8]

The remaining employers offered employees upon retirement either the benefit of the former DB plan or the benefit of the hybrid plan, whichever was greater.

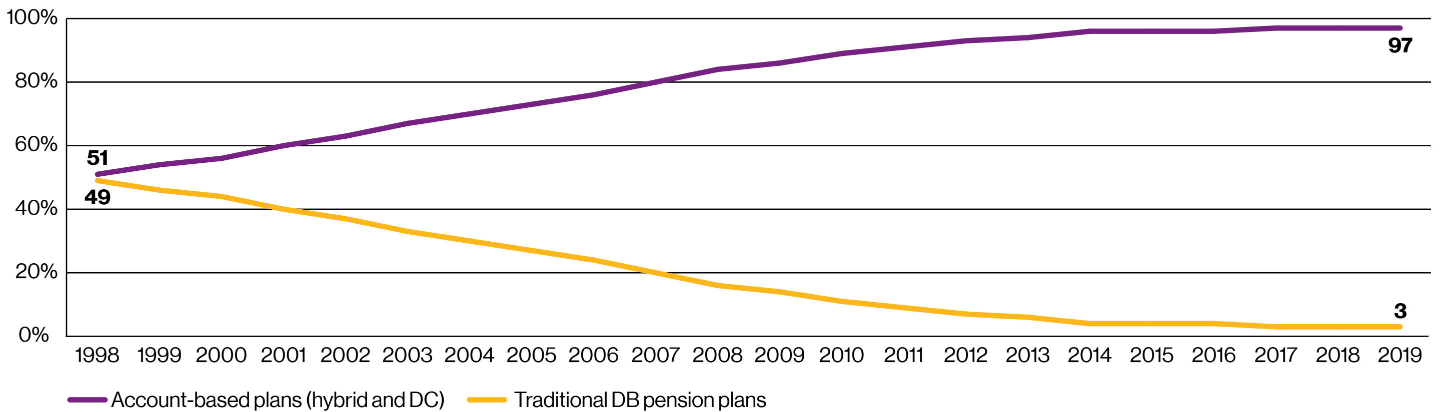
[8] The vast majority used this implementation approach before the PPA.

Figure 20. **Hybrid conversions, 1998 – 2019**



n=47
Note: Results are shown only for open hybrid plans in 2019.
Source: Willis Towers Watson

Figure 21. **Traditional DB pensions versus account-based plans, 1998 – 2019**



n=500
Source: Willis Towers Watson

An account balance world

In 2019, 97% of *Fortune* 500 employers offered only account-based plans as the primary retirement vehicle to newly hired salaried employees (Figure 21).

We next analyze the annual percentage of pay employers allocate to their primary account-based plans. Figure 22 shows retirement (DB plus DC) allocations from *Fortune* 500 sponsors to account-based plans belonging to 35-year-old newly hired employees earning $50,000 per year.

On average, an employee received retirement benefits worth 9.7% of pay at a company with a hybrid plan and DC plan versus 6.0% of pay at a DC-only company. Among DC-only companies, employer contributions varied significantly, from an average 4.9% at companies that were always DC-only to 7.0% at companies that once sponsored a pension (DB or hybrid).

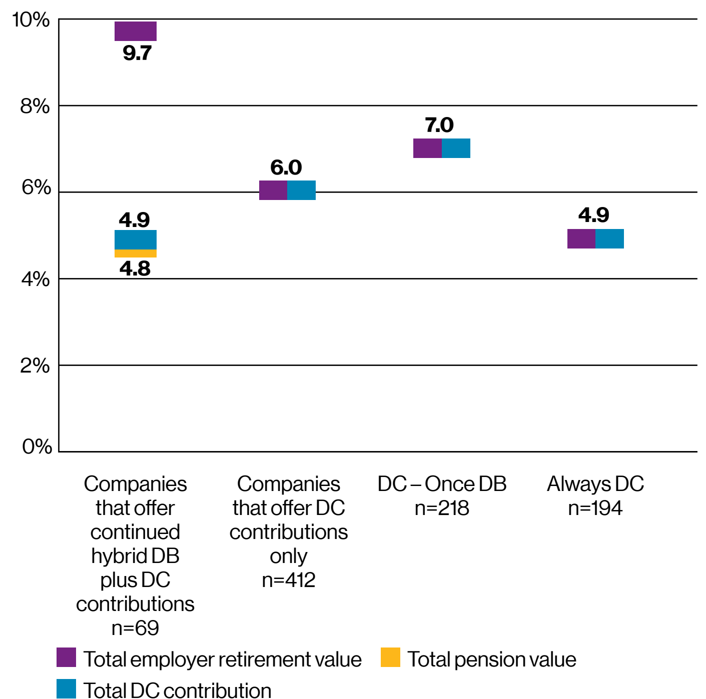
The different allocations shown in Figure 23 (next page) between employers that were always DC-only and those that used to have open DB plans arise from companies eliminating their primary DB plans and then boosting the match, adding a nonmatching contribution or both, as discussed earlier in the analysis.

Figure 24 (next page) shows retirement allocations as a percentage of pay for various industry sectors,[9] and the level of benefits varies widely. Retirement benefits tend to be more generous in the oil and gas, chemicals, pharmaceuticals and utility industries.

[9] Allocations are shown for industries with more than 10 observations.

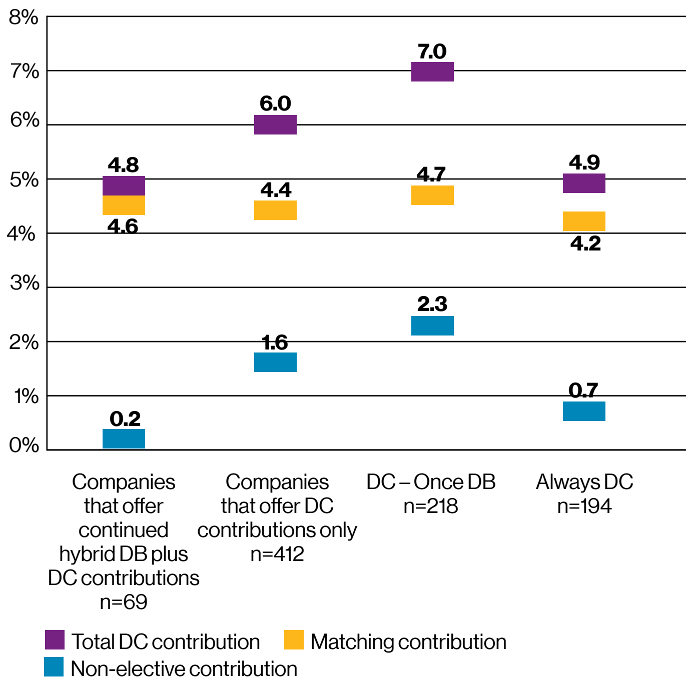
In 2019, 97% of *Fortune* 500 employers offered only account-based plans as the primary retirement vehicle to newly hired salaried employees.

Figure 22. **Annual allocations to account-based plans for new hires (% of pay)**



Note: Results are shown where complete contribution data were available. If discretionary contributions were shown in ranges, the maximum value was used. Employees are assumed to contribute enough to receive the maximum matching contribution. Pension value is based on cash balance pay credits. The 13 traditional DB plan sponsors are excluded.
Source: Willis Towers Watson

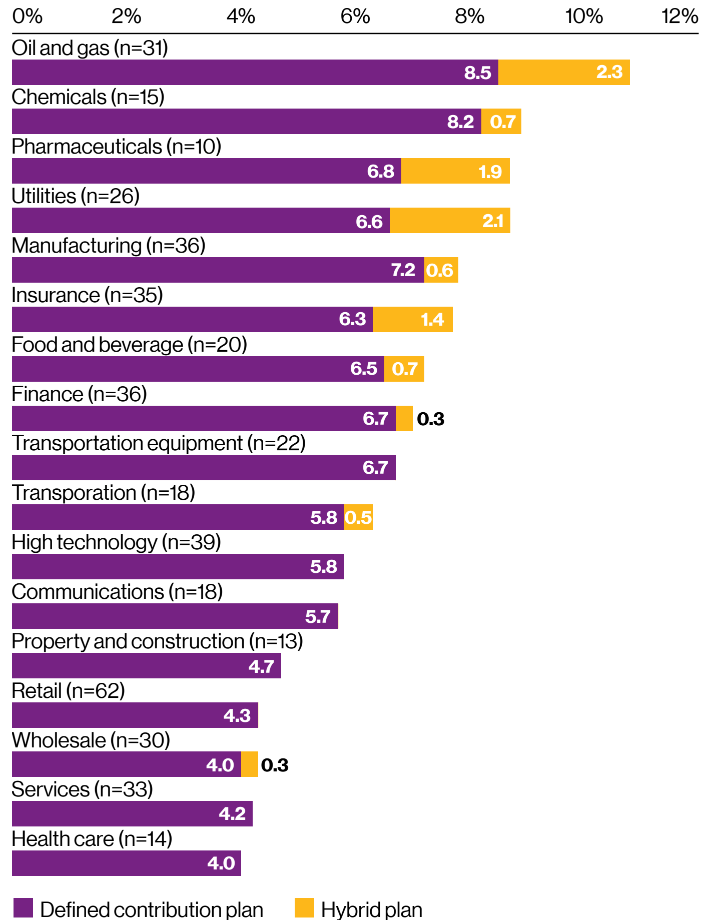
Figure 23. **Annual contributions to defined contribution plans for new hires (% of pay)**



Note: Results are shown where complete contribution data were available. If discretionary contributions were shown in ranges, the maximum value was used. The data assume employees make the contributions necessary to receive the maximum matching contribution and exclude 13 traditional DB plan sponsors.

Source: Willis Towers Watson

Figure 24. **Annual contributions to account-based plans for new hires by industry**



Note: Results are shown where complete contribution data were available. If discretionary contributions were shown in ranges, the maximum value was used. The data assume employees make the contributions necessary to receive the maximum matching contribution. Pension value is based on cash balance pay credits. Data exclude 13 traditional DB plan sponsors.

Source: Willis Towers Watson

Conclusion

As part of the ongoing shift to account-based plans, some employers have been paring back overall spending on retirement benefits, as well as spreading the benefits more evenly across an employee's career. Account-based plans also shift more responsibility for retirement needs to employees, which creates its own challenges/opportunities for both sponsors and workers.

The shift from traditional DB pension plans to account-based DB plans or a DC-only environment is well established. Nevertheless, *Fortune* 500 employers still offer DB pension plans to new hires, albeit in a hybrid form, and many companies with pensions are continuing to accrue benefits for various workers, as well as administering the plans, and managing plan assets and obligations. The transition to account-balance plans presents new opportunities and challenges for both employers and employees in terms of workforce/risk management and retirement security.

To help employees manage the additional responsibility, many employers are making financial best practices a core piece of their overall wellbeing strategy. Some have expanded their wellness programs to include supports such as debt management and budget counseling, incorporating new technologies to create an engaging and rewarding user experience. Failing to address workers' concerns about their finances and retirement security could become a drag on productivity, ultimately harming an employer's bottom line.

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INSIDER-2020-06

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