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Defined Contribution Plan Assets Grew Almost 20% in 1998, Per Survey of Largest Employers

Average 401(k) Contribution Tops \$5,500

WASHINGTON, DC, November 8, 1999 – While assets in defined contribution (DC) plans, most commonly 401(k)s, grew 19% by year-end 1998, assets in traditional defined benefit (DB) plans continued to be the bedrock of employer sponsored pensions. DB plans had approximately 55% more assets, covered almost 90% more people and paid out about 30% more in benefits than DC plans in 1998.

These are just a few of the findings from a survey conducted among member companies of the Committee on the Investment of Employee Benefit Assets (CIEBA). CIEBA was formed in 1985 to provide a nationally recognized forum and voice in Washington exclusively for corporate financial officers who administer and manage, as fiduciaries, the investment of funds for employee pension benefit plans. The organization is composed of over 150 of the largest corporate pension funds in the U.S. with over \$1 trillion in retirement plan assets under management on behalf of more than 15 million plan participants and beneficiaries.

“There is a general assumption that many companies have abandoned traditional defined benefit plans, but the survey shows that the largest companies clearly haven’t,” said Allen Reed, CIEBA chairman, and president of General Motors Investment Management Corporation, GM’s pension management subsidiary. “DC plan assets have clearly grown faster than DB plans, but the foundation of retirement fund assets remain in DB plans.”

Other findings of the 130 companies surveyed by CIEBA, representing year-end 1998 data, include:

- 99 percent of the survey companies sponsor both DB and DC plans. Only 16 percent of the survey companies sponsor cash-balance/hybrid DB plans.
- DB plan assets were allocated 62 percent to equity, 28 percent to fixed income and 10 percent to other investments. DC plan assets were allocated 31 percent to diversified equity portfolios, 38 percent to employer stock, 22 percent to fixed income, 7 percent to balanced funds and 2 percent to other options and loans.
- The percent of companies offering DC plan investment options in international equity, global equity and balanced funds has increased substantially since 1992 to 69 percent, 22 percent and 81 percent, respectively.
- 83 percent of the companies make available investment education to their DC plan participants.
- Total DC plan contributions per employee increased to more than \$5,500 in 1998, with 29 percent of the total being employer contributed. 80 percent of all eligible workers participated in a DC plan.

Under a defined benefit (DB) pension, the employer has a contractual obligation to provide a specific level of benefits to participants and other beneficiaries. Generally, the employer pays the entire contribution required to fund the obligation. Under a defined contribution (DC) plan, the employee is in most cases the primary source of contributions although the employer may have a contractual obligation to match a portion of the employee contribution. In some plans, the employer is required to make certain contributions based on corporate profits or employee salary.

For more information on CIEBA, visit its web site accessible on the home page of www.plansponsorexchange.com.

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