

## Executive Summary of *Plan Sponsors and Participants: Partners in Times of Crisis*

During the week of October 20, 2008, the International Foundation of Employee Benefit Plans conducted an online “hot topic” survey of plan sponsors’ opinions, actions and responses regarding the recent financial crisis. International Foundation members as well as registrants and graduates of the Certified Employee Benefit Specialist® (CEBS®) program were asked to participate in the survey. These individuals serve as the managers and directors, administrative executives, trustees and professional advisors of U.S. pension plans.

Responses were received from 1,089 individuals, representing a cross section of different employee benefit sectors: corporate plans (CP), public and governmental plans (PE), multiemployer plans (ME), and others with pension plans. Three-quarters of respondents offer some type of defined benefit (DB) pension plan or hybrid pension plan, and the same proportion offer one or more defined contribution (DC) qualified retirement plans.

- Responding plan sponsors (45.5%) identify delaying retirement as the major concern of their plan participants as a result of the financial crisis.
- Plan participants’ inability to save as much for retirement is also viewed as a top concern—particularly in the corporate sector (51.1%).
- In the opinion of 40.3% of DB plan sponsors and 47.8% of DC plan sponsors, a majority of their participants think the financial crisis will have a moderate long-term impact on their retirement funds.
- DC plan sponsors (30.7%) are more likely than DB sponsors (18.9%) to think a majority of their participants view the long-term impact as severe.
- As a result of the financial crisis, nearly 34% of respondents believe there has been an increase in the number of DC plan members reducing their exposure to equities in favor of less risky investment alternatives.

### Loans and Hardship Withdrawals

	Overall	CP	PE	ME	Other
Increase in number of plan members taking loans on their DC accounts	28.1%	43.8%	19.8%	13.2%	19.4%
Increase in number of plan members making hardship withdrawals from their DC accounts	28.5%	36.5%	24.2%	20.8%	25.8%
Increase in number of plan members inquiring about the rules for taking loans on their DC accounts	33.2%	39.4%	30.8%	26.4%	35.5%
Increase in number of plan members inquiring about the rules for making hardship withdrawals from their DC accounts	33.8%	35.2%	38.5%	31.7%	22.6%

- During the last six months, 28.1% of plan sponsors have noticed an increase in the number of plan participants taking out loans from DC accounts, with representatives of corporate plans much more likely to observe this growth (43.8%).

- Twenty-nine percent of respondents believe the economic meltdown has prompted greater numbers of plan participants to make hardship withdrawals. Corporations (36.5%) are more likely than public (24.2%) and multiemployer funds (20.8%) to note this increase.
- Across the board, 52.1% of responding plan sponsors report an increase in the number of contacts made by active plan participants to fund representatives or human resources (HR)/benefits staff with questions and concerns.
- Respondents in the public and multiemployer sectors (where retiree health care coverage is typically strong) are twice as likely as those in corporations to report an increase in the number of contacts from retired plan participants to fund representatives or staff (44.3% and 39.9%, respectively vs. 24.1% of corporations).

### Communication/Education Initiatives Respondents Have Undertaken or Plan to Undertake in the Next Two Months

	<b>Overall</b>
Address crisis in special communication piece(s) prepared in-house	47.3%
Address crisis in regular newsletter	46.3%
Distribute pre-prepared vendor response piece(s)	43.1%
Organize special group meeting(s) with external financial advisor to answer plan members' questions	35.2%
Organize individual meeting(s) with external financial advisor to answer plan members' questions	28.7%
Organize special group meeting(s) with in-house staff to answer plan member's questions	28.4%
Conduct attitude survey(s) of plan members regarding the economic crisis	6.0%
Develop process for quickly responding to plan members' concerns	49.4%

- Close to half (47.3%) have already addressed or plan to address the economic turmoil via a special communication piece prepared in-house. Public plans are the most likely to select this option (59.7%).
- Nearly the same proportion (46.3%) have already addressed or plan to address the crisis in regular newsletters; at 56.4%, public plans are again the most likely to use this means of communication.
- Corporations (59.5%) are more likely than public (42.3%) or multiemployer funds (28.5%) to distribute pre-prepared vendor-response pieces to address the crisis.
- Public plan sponsors (41.7%) are the most likely to organize individual meeting(s) with external financial advisors to respond to plan members' concerns.
- Public funds (41%) are also the most apt to arrange special group meeting(s) with in-house staff to answer plan members' questions.

- Close to half (49.4%) of plan sponsors already have a process in place for quickly responding to plan members' concerns or plan to implement such a process in the next two months. Public funds (62.5%) are the most likely to have implemented or plan to implement a process.

Results of the study show that most plan sponsors and participants are taking a long-term perspective in this climate of crisis. They are working together as partners in areas over which they have direct control—communication, information and education—and they are tending to wait for more market stability before making additional retirement plan changes.

These encouraging study findings do not dispute the data showing the current economic turmoil has negatively affected the financial security of plan members. Nearly 30% have decreased contributions to their defined contribution pension plans. There have been measurable increases in the number of plan participants taking out loans from their defined contribution accounts and making hardship withdrawals. Some workers, especially in the public employer and multiemployer arenas, have postponed retirement; and, in the same sectors, there have been increases in the number of retirees returning to work. Participants in defined contribution plans seem to have been hit the hardest, as they are more likely to think the crisis will have a long-term, severe impact on their retirement funds.

Survey results demonstrate that overall, most plan members perceive the long-term impact of the economic crisis as moderate. They tend to be most concerned about long-term scenarios, including delaying retirement, their inability to save as much for retirement, and underfunded plans.

Plan sponsors are also taking a long-term perspective on retirement plan changes. They are tending to wait for the markets to become more stable before making additional asset allocation changes or changing investment managers. As expressed by one plan sponsor, we are “taking the ‘long’ view—no panic, just active review of fund fundamentals.”

The International Foundation of Employee Benefit Plans is a nonprofit organization, dedicated to being a leading objective and independent global source of employee benefits, compensation, and financial literacy education and information.

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