

Companies encourage saving for retirement

By EILEEN ALT POWELL
Associated Press

New York — American companies are trying to make it easier for their workers to save retirement funds.

A study released Tuesday by Hewitt Associates Inc. found that a growing number of companies are automatically enrolling workers in their 401(k) retirement plans. They're also adopting systems to increase employee contributions as their salaries grow, and many are offering automatic rebalancing of accounts.

"It's such a different environment from the 1990s, when companies were offering more funds and more investment features," said Lori Lucas, director of participant behavior research at the Lincolnshire, Ill., consultancy.

"Now the trend is to try to make the plan more easily used, trying to get more fool-proof systems in place so the average person can be more successful in saving for retirement."

The biennial study of nearly 460 large companies found these consumer-friendly features:

- About 19 percent of the companies automatically enroll new workers in their retirement plans, up from 14 percent in 2003.

- About 37 percent offer outside investment advice, by phone, on the Internet or in person.

- About 26 percent provide automatic rebalancing, up from 11 percent two years earlier.

- Nearly 20 percent are enabling workers to automatically increase contributions over time, up from 3 percent

PENSION REGULATOR DEMANDS CRACKDOWN



Belt

The nation's top pension regulator called Tuesday for Congress to repeal the law that allows financially strapped businesses such as United Airlines and US Airways to hand off costly pension obligations to the federal government.

Bradley D. Belt, executive director of the government's Pension Benefit Guaranty Corp., said it was "fundamentally unfair" that current law allows ailing companies to shortchange payments to their pension plans and then later make his agency responsible for paying those

benefits to retirees.

Belt's agency faces responsibility for paying an estimated \$6 billion in promised pension benefits to 120,000 current and former employees of United Airlines under a ruling by a federal judge in May. The PBGC also took over US Airways' pilot pension program after the airline filed for bankruptcy.

— News services

in 2003.

Lucas said that some of the effort to make 401(k) plans more user-friendly can be attributed to many companies abandoning traditional pension plans in favor of employee contribution plans. In fact, 64 percent of the companies surveyed say the 401(k) is their primary retirement savings program, up from 55 percent two years earlier.

"I think the link there is very strong," she said. "It does demonstrate a level of concern by the plan sponsors that employees be able to meet their retirement goals."

Lucas added: "We don't think this is the end of the trend, so it's likely we'll see more automatic enrollment and automatic contribution increases."

Several things haven't changed. Companies offer an average of 14 investment options in their 401(k) plans, and the typical "match" is 50 cents

from the companies for every \$1 employees contribute, up to 6 percent of pay.

But employers have been helping workers reduce their exposure to company stock, perhaps because of the outcry when thousands of workers lost much of their retirement savings with the collapse of WorldCom Inc. and Enron Corp.

The study found that while a third of plan sponsors still use company stock for their matches, 46 percent allow participants to trade that stock at any time, up from 36 percent in 2003.

Despite some of the improvements, employers aren't optimistic their workers will succeed in funding their own retirements.

Just 13 percent of plan sponsors are very confident employees will be able to maintain a comfortable standard of living in retirement, down from 17 percent in 2003.