

# **Retirement 2002**

## **A Survey of New Hampshire Employers**

a Labor Market Information Report

July 2002



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**New Hampshire  
Employment Security**

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# Acknowledgments

This Retirement 2002 publication was prepared by the Economic and Labor Market Information Bureau (ELMIB). The following ELMIB members were instrumental in its preparation:

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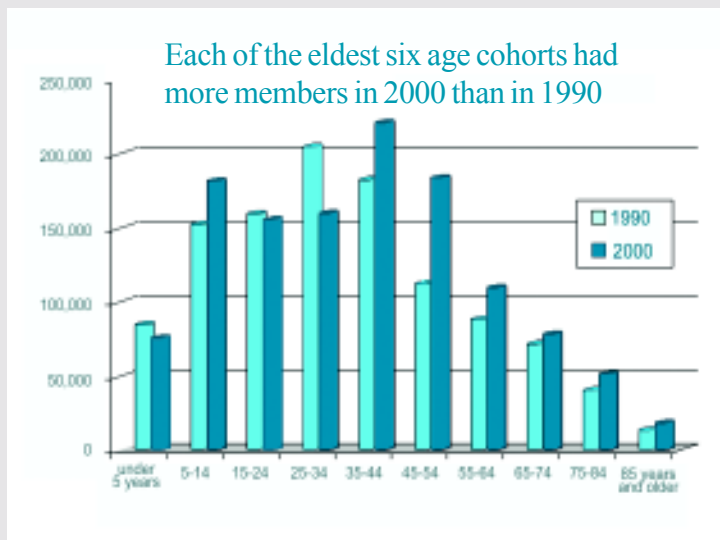
Special thanks to Margaret Crossin and Richard Pelletier for their professional input of the survey instrument.

The information provided is a direct result of the commitment of those New Hampshire businesses that participated in the survey. To those of you who supplied information, we thank you. As with past endeavors, the success of this publication is testament to the partnership between the business community and state government.

Pictures were donated by families and friends of some New Hampshire retirees.

# Introductory Summary

Employee benefits have long been recognized as an important piece of the compensation picture. This information has been lacking as a necessary element of economic and labor market statistics. The New Hampshire population is maturing and the flux in labor market demographics demands watching. Retirement is a current and growing subject of attention — issues such as the ongoing debate over the adequacy of the present Social Security system, its possible privatization, and upheavals in financial markets that have affected individual investment portfolios also contribute to the level of interest. This publication provides timely information about retirement and workforce questions that companies and workers face.



*Retirement 2002* is an extension of the *2001 New Hampshire Benefits* publication. While the 2001 survey addressed all benefits provided, this publication focuses solely on the subject of retirement. This is important because an increasing portion of the population will be retiring as the *Baby Boomer* generation matures.

In New Hampshire, as in the rest of the country, the population is aging. In 2000 the median age in New Hampshire was 37.1 years, up 4.3 years over the decade. By definition from the U.S. Census Bureau, *Baby Boomers* were born between the years 1946 and 1964. Just the volume of individuals in this age group has had an impact on the nation since World War II. Now the

## Table of Contents

Introductory Summary	1
Retirement Availability	3
Plan Types	10
Defined Contribution	10
Defined Benefit	13
Additional Plans	14
Early Retirement	15
Plan Changes	15
Methodology	17

older members of this generation, age 54 in the year 2000, are approaching retirement age.



According to the 1990 Census New Hampshire's population over 45 years old totaled 325,440. By Census 2000 that age group had exploded to 441,615 people. This age group's share of the statewide population increased 6.4 percentage points from 29.3 percent in 1990 to 35.7 percent in 2000. Over 20 thousand of that increase was in the 55 to 64 year age category. The largest aging cohort is on the way because younger *Boomers*, 35 to 44 years old in 2000, made up 17.9 percent of New Hampshire's total population.

Overall, New Hampshire employers are sensitive to the growing needs of our aging population. About two-thirds of firms of all sizes try to provide access to some type of plan that would help insure the future financial security of their employees.

Results in this publication were based on responses from private sector businesses. For comparison purposes information about Government agencies (schools, hospitals, municipalities, counties, and state employees) was obtained from the New Hampshire Retirement System. The New Hampshire Retirement System's pension plan is a Defined Benefit plan, Terminal Earnings Formula, with a mandatory contribution from members. All full time state employees, public school teachers and administrators, permanent firefighters and permanent police officers are eligible and required to participate in the System. Full time employees of other government entities are also eligible to participate as a group if the governing entity has elected to participate.\* Eligible state employees and many municipal employees also have an additional retirement plan available, Deferred Compensation. This plan is a voluntary Defined Contribution plan and is funded totally by participants. Other secondary plans may be available to municipal employees.

This survey was sent to private sector employers asking them to include total New Hampshire employment regardless of location in New Hampshire. Because of this, no direct comparisons can be made to the 2001 New Hampshire Benefits publication which was based on employment information from individual sites.

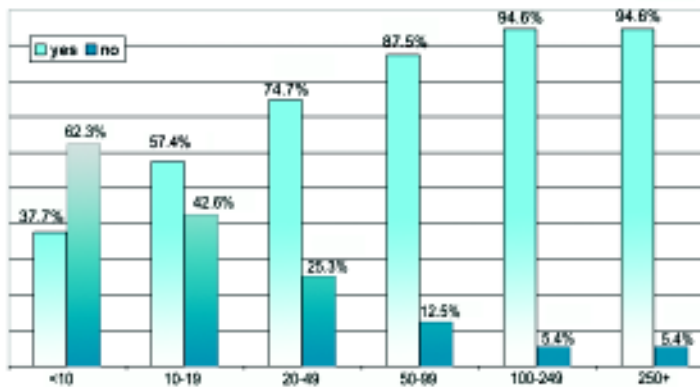
\* *New Hampshire Retirement System Annual Report, June 30, 2001*

## Retirement Availability

### *Do you offer a retirement plan?*

- About two of every three firms responded that they offered a retirement plan to their employees.
- Conversely, the smallest firms (those of under ten employees) had almost two of three employers *not* offering a retirement plan to their employees.

The larger a firm, the more likely it is to offer a retirement plan



### *No — do not offer a plan*

#### *Indicate up to three major reasons for non-sponsorship:*

- Employers' most noted reason for not sponsoring a plan was *business revenue is too uncertain*.
- The next four reasons were tightly grouped, although there were distinct differences between the size groups:
  - *cost of required company contributions*
  - *fewer employees would benefit because of seasonal, part-time, or high turnover*
  - *costs too much to set up and administer*
  - *employees prefer wages and/or other benefits*

*We are a small business. We do not offer retirement benefits. We also have a high turnover of employees. We offer good wages. — a NH Construction Employer*

## Reasons for not sponsoring a retirement plan vary by firm size

*(Note: employers could choose up to three responses)*

	firm size						All
	<10	10-19	20-49	50-99	100-249	250+	
Business revenue too uncertain	50.6%	44.9%	38.3%	29.4%	25.0%	25.0%	45.7%
Fewer employees would benefit due to a large portion of seasonal or part-time workers	27.3%	28.9%	37.8%	51.0%	25.0%	37.5%	30.5%
Required company contributions are too expensive	30.8%	28.9%	37.2%	41.2%	25.0%	12.5%	31.5%
Employees prefer wages and/or other benefits	26.2%	32.7%	31.1%	27.5%	50.0%	50.0%	29.2%
Costs too much to set up and administer	27.5%	31.0%	32.7%	39.2%	33.3%	25.0%	29.8%

*Are you planning to start sponsoring a retirement plan in the next two years?*

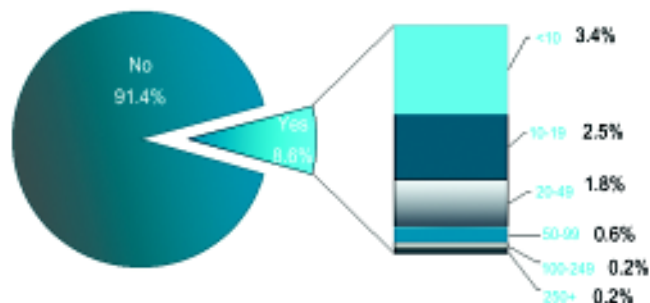
- Among the firms not offering a retirement plan now, over three-quarters of each of the firm size groups indicated they were either *not too likely* or *not at all likely* to start a plan in the next two years.

*Does lacking a retirement plan have an effect on recruitment of new employees?*

- Those same firms not offering a plan responded that the lack of a retirement plan had little to no effect on recruitment.
  - The larger firms had the highest level responding, 15 percent, that the absence of a retirement plan *did* have an effect on their recruitment of employees.



Among firms not sponsoring a plan, the vast majority feel that it does not affect their recruitment



*Please select your knowledge about the following plans: SIMPLE plans, SEP (simplified employee pensions), and 401(k) plans.*

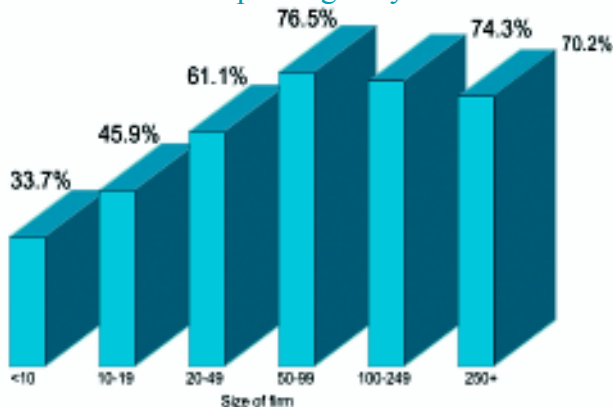
- Only one-third of these responding firms said they were either *very familiar* or *somewhat familiar* with SIMPLE and SEP plans.
- Over half of the responding firms with fewer than ten employees acknowledged a high level of knowledge about 401(k) plans, while all firms with over 100 employees said they understood the plan type.

Lack of information about the various retirement plans available may be a factor among firms choosing not to sponsor a retirement plan.

### *Yes — offer a retirement plan*

- While the total responses showed a majority of firms offering retirement plans, it also revealed among the responding firms that smaller firms were least likely to offer a plan.
- The smallest firm size (fewer than ten employees) was the least likely, 37.7 percent, to offer a retirement plan.
- Almost 60 percent of the next smallest firm size group (10 to 19 employees) offered retirement plans to their employees, while the three largest firm size groups had closer to 90 percent retirement plan availability.

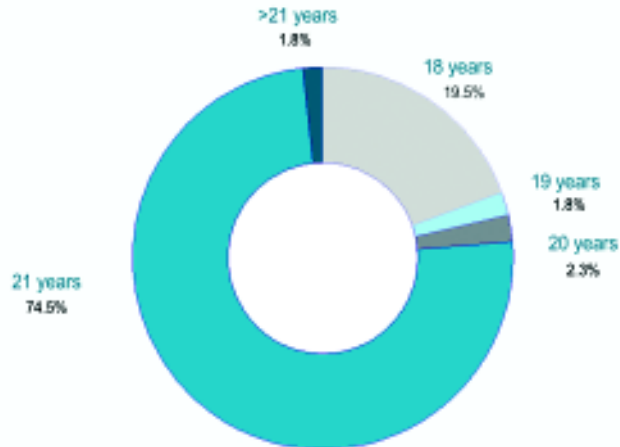
Larger firms tended to indicate that there was an age requirement for retirement plan eligibility



*I would love to do something for our permanent employees but it all seems so complex with too many potential responsibilities and liabilities.*  
— a NH Agricultural Services Employer

We offer a retirement plan because it makes business sense for long term employees.  
— a NH Retail Trade Employer

Age 21 was the most common age required for retirement plan participation



*What are the major reasons for offering a plan?*

- The most frequently cited reason given by all responding firms for offering a retirement plan was the *competitive advantage in employee recruitment and retention*.
  - Only the smallest sized firms did not have this as their most frequently picked option.
- A *positive effect on employee attitude and performance* was the next most commonly picked reason.
  - Again, the smallest sized firms were the exception by having this as their dominant choice.



*Are the retirement packages your company offer to management, full-time, and part-time employees the same?*

- Overall, 70.9 percent of firms indicated they had the same retirement plan for every category worker in their company.

*Note: The survey form requested the remainder of the questions be answered based on the average full-time employee.*

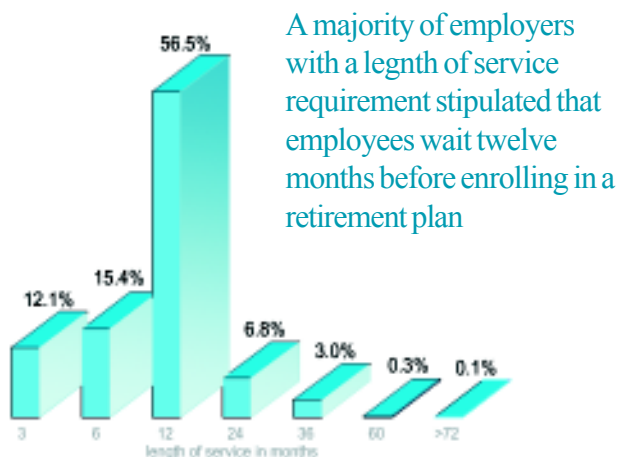


*Is there an age requirement for employees to be eligible for plan participation?*

- Almost 58 percent of responding firms indicated there was an age requirement to be eligible for plan participation.
  - Smaller sized firms were less likely to have established age requirements and the likelihood of an age requirement grew as firm sizes increased.

*Is there a length of service requirement for employees to enroll in the plan?*

- Just under 82 percent of responding firms advised they had a length of service requirement to be enrolled in the available



plan.

- Of firms that provided detailed service requirements, the 12 month limit was the most common time period, with 56.5 percent.
- The subsequent choices were six months, three months, and 24 months.

*Due to slow economic conditions we did some changes to our plan —*

- 1) increased length of service requirement from six months to one year,*
  - 2) changed age of entry to 21 years old.*
- a NH Services Employer

*Is there a length of employment period to be vested in your plan?*

- Over 60 percent of respondents indicated there was an employment time period required to become vested in their retirement plan.
  - A vestment period was required by larger firms on a more regular basis than smaller firms.
  - The most noted vestment period was 60 months, chosen by 38.6 percent of firms who provided that detail.
  - The next common period chosen by 20.8 percent of employers was 72 months.
  - All other vestment period choices were made by less than ten percent of employers. The most frequently chosen among those were 36 months with 8.9 percent, 84 months with 8.8 percent, and 12 months at 8.6 percent.

*Are there early withdrawal/loan options available with your plan?*

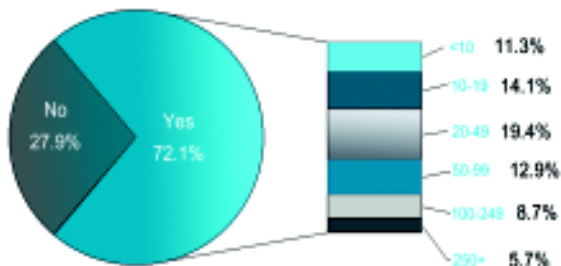
- Almost three-quarters of responding firms reported there were early withdrawal or loan options available with their retirement plans.
  - Firms within the 50-99 employees groups had a higher ratio of this option.

*How many employees are eligible to participate and how many employees do participate in your company's retirement plan?*

- Among firms that offered retirement plans, the total participation rate was 75.6 percent.
  - The smallest sized firms had the highest participation rate, at 83.9 percent.



Among firms sponsoring a plan, the vast majority feel that it does affect their recruitment



- ❑ The next firm size class, 10 to 19 employees, had the next highest participation rate of 79.6 percent.
- ❑ These two small size groups made up about 40 percent of the responding firms for this question.

*Does the availability of a retirement plan have an effect on your recruitment of new employees?*

- Overall 72.1 percent of firms offering a plan indicated the availability of a retirement plan did have an influence on their recruitment of new employees.
- ❑ The degree of the effect indicated by firms widened as the firm size increased, the smallest share among smallest firms and the largest share among largest firms.

*Is your company affected by the presence of a union that determines benefits through the collective bargaining process?*

- Less than four percent of all firms responding reported that a union's presence determined availability of a retirement plan through collective bargaining.
- ❑ The likelihood of a union determining the benefit rose with the increase in the size of the firm.

*Owners care about employees and their families. Retirement plan allows employees to plan for the future and gives employer a competitive advantage.*  
— a NH Services Employer

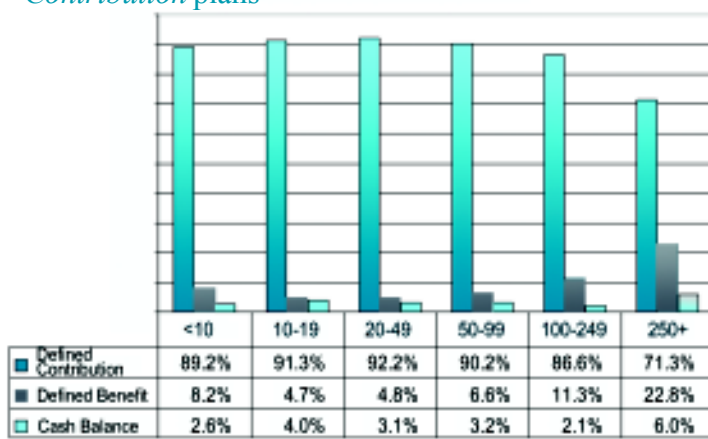


## Plan types

*What type of retirement plan does your company sponsor?*

- Almost 89 percent of firms responding they offered a retirement plan reported the plan was a *Defined Contribution* plan.
  - This was a result of the large number of smaller companies having this plan type available.
  - The proportion of firms with a *Defined Benefit* plan in the largest size group was more than one in five while the ratio in the next closest group was barely over one in ten.

*Defined Benefit plans were most common among large firms, although still not as prevalent as Defined Contribution plans*



## Defined Contribution

*Please indicate the type of Defined Contribution plan your company offers:*

- Over 200 firms chose more than one type of *Defined Contribution* plan offered by their company.
  - Among responding firms, the dominant choice, 90.8 percent, was the *qualified retirement plan group*, including 401(k), 403(b), SIMPLE, and SEP.

- The next most frequently chosen plan was *Profit Sharing*, 14.5 percent.

*Is an employee contribution required for participation?*

- Over 70 percent of all firms responded they did require a contribution from employees for participation in company retirement plans.
- The smallest firms and the largest firms, as groups, were least likely to require an employee contribution in an available Defined Contribution plan. Each of these two groups registered at least four percentage points below the overall rate for all firms responding.

*Does your company offer matching contributions to the plan?*

- Almost three-quarters of firms that offered retirement plans also offered some level of matching contributions.
  - The share of firms that match contributions increased in direct relationship with firm size: smaller firms had a smaller share of firms matching contributions and larger firms had the largest portion matching.

*If an employee contributes up to the maximum allowable match from the company, are additional contributions from employees allowed?*

- Over 74 percent of firms with retirement plans advised they allowed additional contributions after the company match maximum had been met.
  - The group with the lowest occurrence of matching was the smallest size firms, nearly 10 points shy of the overall average.

*Although the agency does offer a 403(b) plan, contributions are made only by the employee not the agency.*  
— a NH Services Employer



*In the past year, have changes in tax laws or the economy affected your company's match policy?*

- Among the size groups, smaller firms were less likely to have changed their match policy than larger firms.
  - Of the smallest firms that did change their policy, over 40 percent said they increased their participant contribution levels.
  - The 50 to 99 employee firm size had the highest share of firms making match policy changes in the past year.

*Does the employer predetermine the minimum initial investments?*

- Less than 20 percent of firms indicated they had a minimum initial investment requirement.
- Firms with more than 250 employees had the highest share of firms predetermining the initial investment.

*Are employees allowed options on portfolios based on their investment risk tolerance?*

- The response to this question was overwhelmingly *yes*.
- Barely more than one of every ten firms said they do *not* allow employees options based on their investment tolerance.

*Is there a restricted time period for making changes?*

- About one third of firms with allowable changes in investments stated they have a restricted time frame to do those changes.
  - The time restriction was most prevalent, 39.6 percent, among firms with 10-19 employees, and less prevalent, 22.4 percent, among the largest size group with 250 employees or more.

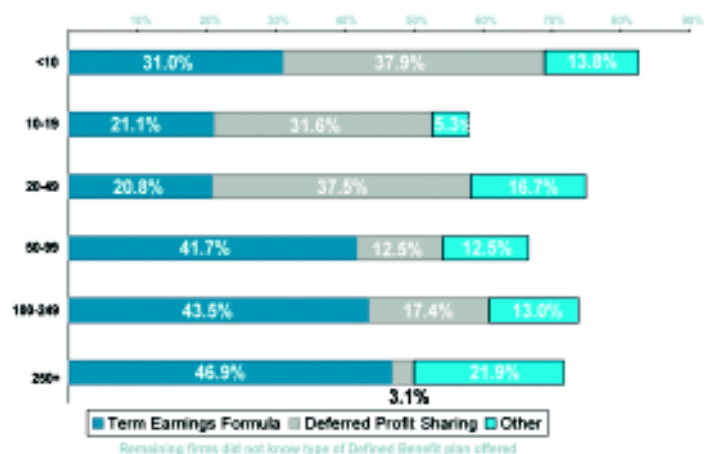


## Defined Benefit

*Please indicate the category of Defined Benefit plan your company offers.*

- Of 170 firms reporting they offered Defined Benefits, 151 provided additional detail about those plans.
- The most frequently chosen types of Defined Benefit plans were *Terminal Earnings Formula*, 35.1 percent, and *Deferred Profit Sharing*, 22.5 percent.

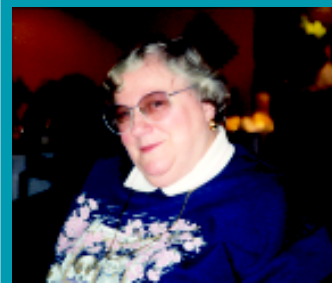
Indicate the category of Defined Benefit plan offered:



*How does your firm fund the plan?*

- Most responding firms with Defined Benefit plans fully funded their plan.
- Smaller firms had higher shares of partially funded plans than larger firms.

*Our Defined Benefit plan is for full-time employees only. Our Defined Contribution plan is a benefit to our part-timers as long as they meet the eligibility requirements.*  
— a NH Financial Sector Employer



## Additional Plans

*If employees participate in a primary retirement plan, do they have the option of participating in a secondary plan?*

- Overall, less than 13 percent of respondents offered a second retirement plan.
  - The largest size firms had twice the shares of firms with an additional retirement plan available.

*Who funds the plan?*

- The majority of additional plans were said to be funded by employee contributions.

*What type of plan is it?*

- *Defined Contribution* plans were most frequently used as the additional retirement plan. This response was similar to that from the primary plans.

*Are stock options offered as part of the secondary plan?*

- Less than 10 percent of respondents indicated they offer stock options as part of secondary retirement plans.
  - Firm sizes between 10 and 19 employees and 100-249 employees had the highest shares of firms with stock options with 15.6 percent and 12.5 percent respectively.

*Have both 401(k), employee contribution and profit sharing—employers contribution only. Recently merged both so employees can direct funds. Previously they could direct only their 401(k). — a NH Construction Employer*



## Early Retirement

*Since 1996, has your company offered early retirement in lieu of layoffs?*

- In general, responding firms stated that it was very rare to offer early retirement as an alternative to layoffs.
  - Only firm size group of 250 employees or more indicated early retirement had been offered by over 10 percent of firms.

*Was stock option part of the options available?*

- Among firms that responded they had offered early retirement, 6.4 percent, said they had included stock options as part of that offer.



## Plan changes

*Has your company changed the retirement plan offered in the past three years?*

- Responses indicated the occurrences of plan change increased as firm size increased.
  - The smallest size firms with fewer than 10 employees had the smallest occurrence of plan changes, 13.5 percent.
  - Firms with more than 250 employees had the highest occurrence of plan changes, almost one third of those responding in this size group.

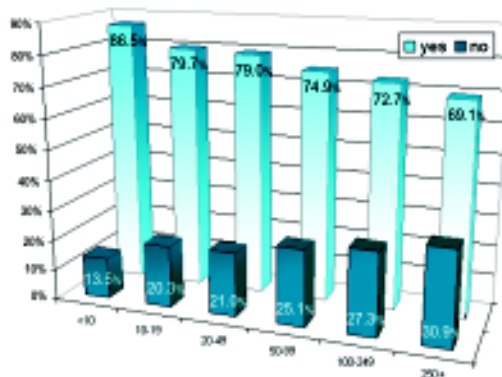
*Did the retirement plan change from Defined Benefit to: (what other plan type)*

*We currently offer a 401(k) plan but will be switching January 2003 to a SIMPLE plan as a result of the restrictions of the 401(k) plan.*

— a NH  
Business  
Services  
Employer

- There was a very limited reply to this question among responding firms — only 179 out of the 2,162 firms that indicated they offer a retirement plan.
  - Of those firms indicating they had changed their retirement plan less than 40 percent provided details about the type of changes.
  - Almost a third of firms responding to the type of changes question indicated they had changed to a *Defined Contribution* plan.

Smaller firms were more likely to have made recent changes in their plan type



## Methodology

In February 2002, the New Hampshire Retirement Survey was mailed to 6,667 private firms doing business in New Hampshire during first quarter 2001. Firms in the sample that had multiple site locations were asked to include information for all employees in the state. In April, a second copy was sent to those firms that had not responded to the first mailing.

### *Sample Selection*

All firms in New Hampshire were stratified into six groups according to the number of employees. These groups were then handled as individual populations and random selections were done on each to provide the estimated number of responses



#### Response rate by size class

Size class	Number of employers surveyed	Number of employers responding	Response rate
0-9 employees	1,818	1,008	55.4%
10-19 employees	1,575	793	50.3%
20-49 employees	1,516	790	52.1%
50-99 employees	814	425	52.2%
100-249 employees	513	239	46.6%
250+ employees	251	147	58.6%
<b>Total responses</b>	<b>6,487</b>	<b>3,402</b>	<b>52.4%</b>

needed to obtain a 95 percent confidence level with a plus or minus three-percent margin of error. Surveys sent to companies no longer in business or those that were undeliverable were removed from the sample. The final response rate obtained was 52.4 percent, resulting in a 95 percent confidence level with a plus or minus three percent margin of error. Firms with fewer than five employees were not included in the pool from which the sample was drawn.

### *Survey Format*

The survey had a continuous flow with directions to separate sections. The first section was formulated for those businesses that did not offer any type of retirement plan. The alternative section was designed to obtain more information from those companies that did have a retirement program available. Companies were asked if they had varying types of plans available for different employee categories (management, full-time, part-time). If they did, it was requested that they report information based on the typical full-time employee only.

### *Additional Information*

The survey form and additional information are available on our Web site: [www.nhes.state.nh.us/elmi](http://www.nhes.state.nh.us/elmi)

Percent of “Yes” responses by industry



The following are available in hard copy from the Economic and Labor Market Information Bureau of New Hampshire Employment Security. Many of these publications are also available at our Web site: <[www.nhes.state.nh.us/elmi/](http://www.nhes.state.nh.us/elmi/)>

County Profile - New Hampshire's Counties, Cities, Towns, and Unincorporated Places  
New Hampshire Employment Projections by Industry and Occupation  
Licensed, Certified, and Registered Occupations in New Hampshire  
New Hampshire Job Outlook and Locator Occupations by Industry  
Vital Signs: Economic and Social Indicators for New Hampshire  
New Hampshire Occupational Employment and Wages  
New Hampshire Career and Industry Profiles  
Summary of the New Hampshire Economy  
User's Guide to Labor Market Information  
STAT: New Hampshire Resource Papers  
Economic Conditions in New Hampshire  
New Hampshire Commuting Patterns  
Local Area Unemployment Statistics  
New Hampshire Affirmative Action  
In Brief: Employment Projections  
New Hampshire Job Notes  
New Hampshire Snapshot  
New Hampshire Benefits  
**Retirement 2002**  
Childcare 2000  
NHCRN News

The following are only available at our Web site: <[www.nhes.state.nh.us/elmi/](http://www.nhes.state.nh.us/elmi/)>.

Employment and Wage Data for the Eighteen Labor Market Areas  
New Hampshire Unemployment Insurance Historical Data  
High Tech Employment in New Hampshire  
New Hampshire Community Profiles  
Firms by Size in New Hampshire



New Hampshire Employment Security is a proud member of America's Workforce Network and NH WORKS.  
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