

Survey: Many firms cut 401(k) matches

**By Rachel Brand, Rocky Mountain News
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Three-quarters of Colorado employers offer 401(k) plans, but companies have downsized their generous matching contributions from three years ago.

"(In 2002) there was more competition for workers, and companies were using 401(k)s as a recruiting tool - saying, 'We're giving you money,' " said Patty Goodwin, director of surveys for the Mountain States Employers Council.

"If the economy picks back up again, matches will probably pick back up again."

Known as tax-deferred plans, 401(k)s allow workers to save pretax dollars from their paychecks for retirement. Such plans have grown popular while traditional pension plans are declining in favor or being eliminated. To sweeten the pot, some companies supplement workers' 401(k) contributions.

Data from the council show that in 2002, a third of Colorado employers with 401(k) plans matched 100 percent of employee contributions up to an average maximum of 5 percent of workers' pay.

This year, a quarter of those companies matched 100 percent up to an average maximum of 4 percent.

Further, companies that contribute nothing to 401(k)s rose from 7 percent of those surveyed in 2002 to 17 percent in 2005, the council found.

"It's a reflection of the Colorado economy," said Charles Ledbetter, a national practice leader for Marsh Employee Benefits Services.

The 401(k) contributions come from company profits, meaning they're flexible, which is why companies like them. In recent years, companies haven't had profits to give away.

Other line items are taking a bite out of the employee benefit budget, said Daniel Nemmers, senior vice president of retirement services for the Lockton Companies of Colorado.

"Health care costs continue to go up, so it's kind of a balancing act in terms of 'What do we provide our employees?' " Nemmers said.

Reduced company contributions haven't deterred employees from joining 401(k)s, but they could affect the amount they save.

Seventy percent of eligible Colorado employees contributed to a 401(k) plan in 2005, about the same as in years past.

But data from the Profit Sharing/401(k) Council of America show that in 2003 the average percent of pretax salary deferral fell to 5.2 percent from 5.3 percent in 2001 and 5.5 percent in 1999.

Ledbetter said contribution levels are on the rise. "With all of the focus on Social Security . . . ," he said, "the most recent studies show that overall participation in 401(k)s has gone up."

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