CEP Chemical Engineering Progress

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Money Talks, But So Do Benefits

Chemical engineers have something to smile about — results from AIChE's 2007 Employment & Salary Survey (pp. 25–30) indicate that individuals in the profession now earn a median salary of $103,703, an incredible 12.6% increase compared to the $92,500 recorded in 2005. In particular, it pays to be a chemical engineer in New Jersey, Texas and Louisiana, the three states with the highest median salaries. The fact that chemical engineers are also in high demand enables them to command these higher salaries.

But, money isn't everything. What about those other critical benefits that aren't seen on a paycheck, such as retirement plans and medical insurance? In the past, pension (or defined-benefit) plans acted as safety nets for those who didn't save enough for the future. However, the tumultuous economy has caused many companies to renege on pension payouts (most notable being the airline industry). This spurred the government into action, and in August 2006, President Bush signed the Pension Protection Act of 2006 (PPA), a massive tax law primarily aimed at strengthening pension funds.

While traditional pension plans may become a thing of the past, companies are replacing them with defined-contribution plans, such as 401(k) and 403(b) plans. A March 2007 report from the U.S. Government Accountability Office (GAO) found that "active participation in defined-benefit plans fell from 29 million in 1985 to 21 million in 2003, as employers terminated existing plans or froze benefits for active employees." During this same period, "active participation in defined-contribution plans rose from 33 million in 1985 to 52 million in 2003 as employers increased their offerings of these plans." While the defined-contribution plans may be a fairly secure way to save for the future, the main drawback is that it shifts the onus from the employer to the employee for retirement savings.

Another retirement plan option is the hybrid plan (*e.g.,* cash-balance plan), which shares characteristics of both defined-benefit and defined-contribution plans. These may become more popular as a result of the PPA. Just recently, The Dow Chemical Co. overhauled its U.S. retirement program, with one of the notable changes being the move away from traditional pension plans and the move toward a cash-balance plan. Effective for employees starting in 2008, Dow will now offer a "personal pension account," into which it will contribute 5% of pay, plus interest. The company has also enhanced its 401(k) plan with matching that is designed to encourage employee participation, as well as automatic features to help new employees save and invest, and a new Roth 401(k) element. The final feature of Dow's new plan is its retirement healthcare assistance plan, in which employees may put aside dollars today to pay for medical premiums in retirement. Dow will match these employee contributions dollar for dollar to pay retiree medical premiums.

Higher salaries are great, but a comprehensive employment package is better. The move to defined-contribution or hybrid plans is likely to gain momentum with the passage of the PPA. For now and for the foreseeable future, we will have to shoulder the burden of risk and responsibility for our retirement.

Kristine Chin,
Editor-in-Chief