Pension Change Fact Sheet

Center for Retirement Research at Boston College

March 2006

Company Name: Motorola, Inc.

U.S. Employees: 30,600

Type of Plan(s): Traditional Defined Benefit

Date Announced: December 17, 2004

Date Effective: January 1, 2005

Description of Freeze: *Freeze for New Employees.* As of January 1, 2005, new U.S. hires to Motorola will not be able to participate in the defined benefit pension plan.

Plan Solvency: As of December 31, 2005, U.S. defined benefit pension assets were $3.5 billion and obligations were $4.7 billion.

Reported Financial Implication: As a result of the freeze, Motorola is estimated to save $17.5 million per year.

New Arrangements for Employees: Those hired after January 1, 2005 will be eligible to participate in a 401(k) plan. Motorola will match the employee's contributions, dollar-for-dollar, up to 3 percent of their salary, and $.50 for every $1 contributed between 3 percent and 5 percent of the employee's salary. For those hired prior to January 1, 2005, Motorola will match $0.50 for every $1 the participant contributes, up to the first 6 percent of their salary.

Background: Motorola's defined benefit pension plan covers most U.S. employees. Their supplemental retirement benefit plan was discontinued in 1999 and replaced with a new supplemental retirement benefit plan. Motorola is the world's second largest mobile phone maker. In order to cut costs and remain competitive, both the new supplemental plan and the traditional defined benefit plan were closed to new employees as of January 1, 2005.

References

Burda, Juli (media contact at Motorola). 2006. Personal communication.

McDaniel, Kip. 2005. "Motorola Alters Pension Benefits for New Employees." *Plan Sponsor.* (March 25).

Motorola. 2005. 2004 *Annual Report to Stockholders.*

Mulford, Kristine (media contact at Motorola). 2006. Personal communication.

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Notes:

'U.S. Employees' are 45 percent of 68,000 worldwide employees.

'Reported Financial Implication' is authors' calculation.