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# PENSION CHANGE FACT SHEET

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RESEARCH  
AT BOSTON COLLEGE

MARCH 2006

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COMPANY NAME: Hewlett-Packard Company

U.S. EMPLOYEES: 71,000

TYPE OF PLAN(S): Traditional Defined Benefit — 26,100 participants affected  
Cash Balance — 6,100 participants affected

DATE ANNOUNCED: July 19, 2005

DATE EFFECTIVE: January 1, 2008

DESCRIPTION OF FREEZE: *Partial Freeze and Freeze for New Employees.* U.S. employees whose combined age and tenure do not equal a minimum of 62, as of January 1, 2008, will stop accruing defined benefit pension benefits. Also, new hires are not eligible to participate in the defined benefit pension plan.

PLAN SOLVENCY: The U.S. plan assets, at year end 2005, were \$4.8 billion. Obligations of these plans were \$5.3 billion.

REPORTED FINANCIAL IMPLICATION: Due to the freeze, defined benefit pension obligations were expected to decline by \$526 million. As a result of this reduction, Hewlett-Packard recognized a gain of \$199 million in the fourth quarter of fiscal 2005. In 2006, the company will save an estimated \$154 million on account of the freeze. The company expects annual savings of \$300 million starting in 2007 solely as a result of the pension freeze.

NEW ARRANGEMENTS FOR EMPLOYEES: Hewlett-Packard increased the total 401(k) contribution match from 4 percent to 6 percent of pay.

BACKGROUND: Hewlett-Packard is among the world's largest information technology companies. The announcement was made just weeks after IBM made a similar change. Many saw Hewlett-Packard's actions as a direct effort to match IBM and remain competitive. The announcement was also made in tandem with large cuts in Hewlett-Packard's workforce and significant restructuring.

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## REFERENCES

Hewlett-Packard. 2005. "HP Unveils Targeted Program to Streamline Company, Reduce Costs, Drive Customer Focus." *Press Release*. (July 19).

SEC Form 10-k filed December 20, 2005.

Taub, Stephen. 2005. "HP Cuts 14,500 Jobs, Freezes Pension." *CFO.com*. (July 19).

U.S. Department of Labor. 2004. *Form 5500*.

Whitehouse, Kaja. 2005. "Companies Lock Younger Workers Out of Pensions." *Wall Street Journal*. (July 26).

## Notes:

Hewlett-Packard does not give out the number of participants that were directly affected by the pension freeze. 'Participants Affected' are assumed to be half of total participants in the plans. Calculations are based on the Department of Labor's Form 5500 data and are as of year end 2003.

'Reported Financial Implications' for the year 2006 are authors' estimates based on data from the Hewlett-Packard Press Release.