



Maximizing Retirement Benefits: A Deep Dive into Johnson & Johnson's Pension Plans

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Pension plans, once a cornerstone of retirement security, have become increasingly rare in today's corporate landscape. Only a small fraction of companies maintain a traditional defined benefit pension plan; most have transitioned to 401(k) plans, placing the burden of saving on the employee.

Johnson and Johnson is unique; they maintain a 401(k) savings plan *and* two distinct pension plans, with a third for high-earning employees.

With years of experience helping Johnson and Johnson employees optimize their retirement strategies, I've developed a clear understanding of the unique features and opportunities these plans offer. Whether you're early in your career or approaching retirement, understanding these pension plans is essential for maximizing your benefits. Here's a closer look:

1 Retirement Value Pension (RVP)

The RVP plan provides a structured and predictable retirement benefit based on annual credits.

- **Annual RVP Credits:** Each year, you earn credits equal to 15% of your eligible plan earnings. These credits accumulate and become payable at retirement.
- **Vesting:** Employees are vested in the plan after five years of service, or upon reaching age 55 while employed by Johnson & Johnson, whichever occurs first.
- **Distribution Options:** The pension is expressed as a lump sum payable at age 65 but can be taken unreduced as early as age 62; payments received prior to age 62 are actuarially reduced. You can opt to receive the benefit as an annuity, with life and survivor options.

TIP: *The Pension Estimate Tool is based on assumptions that may not reflect your actual circumstances, so careful planning is critical.*

2 Final Average Pay (FAP) Pension

Employees hired on or before December 31, 2014, may have accrued benefits under the FAP formula. This plan is scheduled to freeze benefits effective December 31, 2025.

- **FAP Formula:** The FAP formula uses the average of your highest five consecutive years of plan earnings from the last 10 years in the calculation below:

$$\begin{aligned} & 1.667\% \times \text{Final Average Pay} \times \text{Pre-1/1/2005 Credited Service} \\ + & (1.55\% \times \text{Final Average Pay} \times \text{Post-1/1/2005 Credited Service}) \\ - & (1.429\% \times \text{Primary Social Security Benefit} \times \text{Credited Service}) \\ = & \text{FAP Pension Benefit} \end{aligned}$$

- **Vesting:** Employees are vested in the plan after five years of service, or upon reaching age 55 while employed by Johnson & Johnson, whichever occurs first.
- **Distribution Options:** The pension is expressed as an annuity payable at age 65 but can be taken unreduced as early as age 62; payments received prior to age 62 are actuarially reduced. The FAP pension is only available as an annuity; lump-sum distributions are not permitted.

TIP: Generally, you must start your RVP benefit and FAP benefit at the same time.

3 Excess Benefit Pension

For high-earning employees whose plan earnings exceed IRC limits (e.g., \$350,000 in 2025), Johnson & Johnson offers an unfunded Excess Benefit Plan.

- **How it Works:** The plan calculates the pension benefit the employee would have received if there were no IRC limits. The difference between the unrestricted benefit and the amount payable under the qualified pension plan is provided through the Excess Benefit Pension Plan.
- **Funding:** The plan is unfunded, meaning the benefits are subject to the claims of Johnson & Johnson's creditors in the event of bankruptcy.

Tailored Planning for Your Unique Needs

Your financial future deserves specialized care—
just like the groundbreaking work you do every day.

Navigating the intricacies of these pension plans requires careful consideration of timing, distribution options, and personal financial goals. For example, choosing between a lump sum and annuity depends on factors like longevity risk, other retirement assets, and your income needs.

If you're a Johnson & Johnson employee and want to explore your retirement options, let's connect.

Together, we can design a plan that turns these benefits into a secure and prosperous retirement.