

# The Impact of Pension Freezes on Firm Value



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## Abstract

Many large corporations have recently announced that they are freezing their defined benefit plans, which generally means that no new accruals are permitted. We examine whether the announcement of such pension freezes contribute to company value creation. Results show that freezes do enhance underlying firm value, but market valuation lags in responding to this increase. In this regard, our results corroborate recent work of other researchers who find various market inefficiencies related to defined benefit pensions.

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