

I Working Group I

Mission

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Mission

Working Group I was charged with expanding coverage by encouraging new forms of defined benefit plans or new types of hybrid plans that contain many of the salient features of defined benefit plans. The Group, as a secondary mission, also sought to find ways to help stop the further erosion of the number of workers covered by defined benefit plans. (For more information on defined benefit plans and hybrid plans, see Definitions of Plan Types on page 11.)

Background

Members of Working Group I unanimously agreed that defined benefit plans are among the most efficient and effective mechanisms for providing a reliable stream of retirement benefits to employees of all income levels. While there has been a decline in the number of workers covered by defined benefit plans, the Group wanted to find ways to encourage, preserve, and promote the features of these plans. The Group's challenge was to design plans that would be attractive to employees while overcoming some of the challenges faced by employers in setting up and preserving these types of plans.

To address its mission, the Group first identified those features of defined benefit plans that make them attractive to employees. These features include the fact that defined benefit plans are employer-funded and that the investment risk is placed on the employer and not the employee. Key defined benefit plan features also include protection for spouses through survivor annuities, and the fact that these plans generally pay out benefits in a lifetime income stream – to ensure that neither the retiree or nor the retiree's spouse can outlive their assets (see the Advantages of Defined Benefit Plans sidebar).

The Working Group members then looked at why companies are increasingly moving away from sponsoring defined benefit pension plans, which were once the preferred pension arrangement at most large companies and many smaller ones. The Group identified the chief disincentives as (1) the volatile and unpredictable funding requirements; (2) the lack of attractive, easy defined benefit designs that can be marketed by financial institutions to small- or medium-sized businesses; (3) and finally, the perception among businesses that their employees do not value or understand these defined benefit plans and would prefer 401(k) plans.

Taking these factors and concerns into account, the members of Working Group I developed two new types of employer-paid, employer-guaranteed plans that incorporate features that represent both employer and employee interests. The plans are: the Guaranteed Account Plan (GAP), which is a hybrid plan, (i.e., a plan that combines many of the attractive features of the defined benefit plan with the familiarity and simplicity of the defined contribution plan); and the Plain Old Pension Plan (POPP), which is a simplified traditional career-average defined benefit plan.

THE GUARANTEED ACCOUNT PLAN (GAP)

GAP is a new hybrid plan that features individual accounts funded by the employer with minimum guaranteed returns on employees' balances. In this plan the employer credits a

contribution to an individual's account based on a percentage of that employee's pay and then guarantees the return on the contributions. The employer assumes the risk of investing the money to obtain the specified promised rate of return. The basic benefit is paid as a lifetime annuity that begins at the time of retirement with a guaranteed spousal survivor annuity.

THE PLAIN OLD PENSION PLAN (POPP)

POPP is a new and simplified version of a basic traditional defined benefit pension plan that is easy for employees to understand and easy for employers to fund. This is an employer-funded plan that starts with a modest guaranteed benefit to allay employer concerns about committing to large future pension funding obligations. The basic benefit is based on a percentage of the employee's career-average pay and is paid to the employee as an annuity with a guaranteed spousal survivor benefit. One important feature of the plan enables companies to provide bonus benefits in good years and scale back to the basic benefit formula in leaner years.

Both GAP and POPP incorporate funding rules that substantially reduce the fluctuation from year to year in the employer's annual contribution to the plan and should, thus, make the plans more attractive to employers than currently available defined benefit formats.

In the wake of declining pension plan sponsorship, the Working Group believes that GAP and POPP should be marketed as alternative pension plans, particularly for small- and medium-sized businesses, although they are available for employers of any size. These plans could potentially offer valuable lifetime guaranteed benefits to millions of American employees.

This report describes in detail the design features of GAP and POPP, presented as building blocks of the overall plans. In addition to developing GAP and POPP, the Group also considered other ideas to encourage employers to adopt certain types of defined benefit plans that would increase coverage. Ultimately, the Group endorsed the idea of focused tax credits that would increase coverage in defined benefit plans. The report concludes with a discussion of these tax credit ideas.

How the Group Went about Its Assignment

Working Group I, like the other two Working Groups, was first formed in 2003 at the start of the Second Stage of the Conversation on Coverage. The original 15 members of the Group developed a list of criteria for reviewing proposals for new types of defined benefit and hybrid plans and also for reviewing proposals for tax incentives and other ideas to make defined benefit plans more attractive. In a nutshell, the Group generally agreed that proposals should be attractive to employers and employees, make good public policy sense, and be regarded as marketable by the financial institutions and consultants who would sell them.ⁱ

The Group then began its substantive work by reviewing several defined benefit and hybrid proposals. The Group also looked at proposals that combine a defined benefit with a 401(k), so-called DB-K plans.ⁱⁱ From this work, the Group developed the first iterations of the GAP and the POPP proposals – which were

The Advantages of Defined Benefit Plans

Defined benefit plans are often seen to have a number of inherent advantages over the most prevalent defined contribution plans for rank-and-file workers. Significantly, all or most of the contributions are made by the employers. Also, the burden of determining how much to save, the responsibility for investing those assets, and the investment risk are all shifted away from the employee on to the employer.

Employees in defined benefit plans also have the advantage that their guaranteed benefits are generally paid out as a lifetime annuity in an amount that can be calculated from the specific formula in the plan. Providing the retirement income benefit as an annuity eliminates the longevity risk for the retiree; that is, the retiree does not have to worry about outliving the pension, since it is paid out as an income stream throughout the retiree's life span.^{xvii} Also, should a company go bankrupt, and not be able to meet its pension obligations, defined benefit plans are insured by the Pension Benefit Guaranty Corporation.

In addition, defined benefit plans offer protections to spouses by providing a joint and survivor annuity as the normal form of benefit. This means that there is a guaranteed annuity for the spouse should the participant die either while working or in retirement. This benefit will automatically be paid to a spouse unless he or she signs away the right to receive this benefit.

released in the interim Working Report titled *Covering the Uncovered: Common Ground Recommendations to Expand Retirement Savings for American Workers*. (For a full description of the Working Group Second Stage process, see the Working Report at www.conversationoncoverage.org.)

In May of 2005, the Working Group, with some new members, began the Third Stage of deliberations of the Conversation to review and address issues left unresolved in the interim reports. The deliberations continued through 2006. The members of Working Group I collectively put in hundreds of hours in more than a dozen full and subgroup meetings. The Group sought to reconcile and coordinate the interests of employees and employers and financial institutions. To reach consensus, members of the Group often engaged in spirited discussion and sought to understand and conceptualize issues from a variety of perspectives. As a result, the proposals reflect resolution of issues that may be different from those that any one group member might have decided had he or she developed the proposal alone.

The Guaranteed Account Plan (GAP)

MAJOR DESIGN FEATURES AND KEY ADVANTAGES

The major features and key advantages of GAP are described below. This presentation highlights the appeal of particular design features and provides more detailed descriptions of the design for various elements of the plan.

CONCEPT AND BUILDING BLOCKS

The Concept

GAP is a new kind of easy-to-understand hybrid plan, which combines individual accounts with employer funding and guarantees on investment performance. The basic form of benefit under GAP is a lifetime annuity, with a guaranteed spousal survivor benefit.

The Group's basic idea was that an individual account plan, with employer funding and employer-guaranteed rates of return, could replicate many of the advantages of traditional defined benefit plans, particularly if the basic form of benefit was a lifetime annuity, with a survivor benefit for a participant's spouse. The Group also thought that such a plan could be attractive to small businesses if two conditions were met: first, if they could promise the owners and other valued employees of such businesses a significant retirement benefit; and, second, if the employer could rely on predictable and stable contribution obligations over the plan's life. The Group believed that both of these conditions could be satisfied in a plan that would also provide meaningful guaranteed benefits to lower- and middle-income employees.

Working Group I members recognized that GAP would, in many respects, resemble a cash balance plan (see Definition of Plan Types on page 11). The Group, however, wanted a hybrid plan that avoided the legal and conversion issues that surrounded cash balance plans at the time of the Group's deliberations.ⁱⁱⁱ Through some reverse engineering, the Group designed GAP as a mirror image of the cash balance plan. Rather than start with a defined benefit plan that has notional accounts (the way a cash balance plan works), GAP instead starts with the regulatory framework for money purchase pension plans, a type of defined contribution plan that is employer-funded and that provides participants with an annuity benefit at retirement. The Group then added employer guarantees to the money purchase plan blueprint and developed workable funding rules for this new hybrid design.

Building Block 1

The employer provides all employees with an across-the-board contribution based on a percentage of salary.

The employee's account is credited with annual contributions, called pay credits, which may, but need not be, a uniform percentage of each employee's compensation. The proposed GAP framework does not specify a minimum contribution level, except in cases where employers want to take advantage of complex rules that allow them to better reward higher-paid employees (see Building Blocks 7 and 8 for more details on contribution limits and permitted nondiscrimination tests).

Rationale: The Group discussed the pros and cons of requiring the same contribution level for all employees. While many in the Working Group agreed that it would be ideal for employers to adopt GAPs with uniform contribution limits, the group also recognized that GAP would compete with other types of plans, particularly 401(k) plans, and various other forms of defined contribution plans that allow the employer to provide a higher percentage pay credit for owner and management employees. In order to encourage employers to adopt GAPs and offer their employees the benefits of an employer-funded plan with employer-guaranteed investment returns, the Group generally agreed that GAP would have to permit employers to design plans that provide better benefits for owners and management employees if they wished – as long as they provide minimum contributions for rank-and-file employees in some situations.

Building Block 2

Each year the employer credits the employee's GAP account with an annual rate of return, which can be a guaranteed fixed interest rate or a variable rate of return.

With this building block, GAP tries to accomplish two goals. It requires employers to provide at least a modest guaranteed rate of return. However, it also gives employers flexibility in setting a higher fixed rate or a variable rate of return (such as a return tied to an equity or bond index) on account balances.

- **A fixed rate of return.** GAP must provide a rate of return of at least three percent a year.
- **A variable rate of return.** If the employer uses a variable rate of return, GAP must guarantee that the account balance at the time of payment will be at least equal to a cumulative three percent rate of return. Thus, when a plan provides a variable rate of return, the employee will receive the higher of the two amounts: the actual account balance, reflecting the variable rate of return, or an alternate account balance with a three percent rate of return.
- **In addition, if GAP provides a variable rate of return, it must also provide employees with the right, at a specified age, to shift to a fixed rate of return at the time of the election.** The Group has not determined the age at which the employee should be permitted to make this election or the mechanics of the election.

Employers would be permitted, if they so chose, to design a GAP that gives employees a choice of a fixed rate of return or a variable rate of return.

Rationale: While the Group initially considered whether a GAP plan sponsor should be required to provide a specific minimum benefit for all employees, the members ultimately decided that the employer should have the flexibility to set benefits at a level that fits its compensation and employee retirement goals. While GAP does not set a minimum contribution level, it does require a minimum rate of return.

After lengthy discussion, and several subgroup meetings, the Group decided to give plan sponsors the choices outlined above on the rate of return so that GAP could either provide employees with the security of a predictable fixed rate or provide employees with an opportunity to earn higher returns in a stock index with some protection against sudden declines in value because of variable rates. The Group regarded the minimum guarantee for variable rates as essential for employee retirement security. In discussions, members of the Group observed that most equity or bond indexes would pay, over the course of an extended period of time, a cumulative return that would generally exceed the three percent minimum alternative return.^{iv}

The Working Group also spent many hours discussing how large the minimum fixed guarantee would be. Some in the Group initially wanted a higher rate of return than three percent but others argued if that were the case, employers would then likely choose a variable rate of return that the Group expected to be lower than the minimum fixed rate – which would defeat the purpose of the guarantee. Some members of the Group suggested that employers who chose a variable rate of return could be required to choose among indices that are expected to return more than three percent, but the complexity of implementing such a requirement was thought to be considerable. In any event, because business owners themselves, as well as other higher-paid employees would also be adversely affected by a low rate of return, there would be considerable incentive for employers to provide a competitive rate of return, whether as a fixed rate or a variable rate.

Building Block 3

GAP has shorter vesting than most traditional pension plans to assure that more short-term workers earn a retirement benefit.

GAP has vesting^v rules – that is, rules that govern how long employees have to work before they are entitled to the benefits in a retirement plan – that are more generous than rules governing traditional defined benefit plans.

Contributions (and interest on those contributions) from the employer can be vested in one of two ways: six-year graded vesting or cliff vesting after three years. Graded vesting means the vesting occurs gradually and steadily. Cliff vesting means that 100 percent of the account balance plus returns are vested after completion of a specific number of years, which, in the case of GAP, is three years.

GAP's vesting rules for employer-provided benefits are identical to the vesting requirements that apply to "top-heavy plans"^{vi} and to employer-matching contributions to 401(k) plans. In addition, as part of the Pension Protection Act of 2006, Congress extended these rules to all defined contribution plans and required three-year cliff vesting for cash balance plans.

Building Block 4

GAP is portable with other retirement plans because its basic benefit is an account balance.

Employees can choose to keep their balance with their employer or roll it over to other qualified retirement plans. Portability helps ensure that the GAP benefit will grow and be reserved for retirement income.

Building Block 5

GAP can include a 401(k) feature, which allows employees to make contributions to the plan above and beyond the employer contributions.

GAP can be designed to permit employees to make voluntary contributions on a pre-tax basis. Employers can match the employee contribution, just as in a 401(k) plan. So, GAP has a two-in-one appeal. The employee contribution and employer matching features follow current Internal Revenue Code requirements governing 401(k) plans.

- The employer could design an elective deferral^{vii} feature to permit employees to contribute to their GAP account, a separate section 401(k) plan, or the employee's choice of the two. Because the employer is making a contribution, GAP would satisfy section 401(k) non-discrimination safe-harbor testing.

Rationale: These provisions were included to allow employers to combine GAP with a voluntary savings plan to meet a frequent request of plan sponsors. This would also make the plan more attractive to workers, who will have a way to add to their retirement benefit by electing to contribute part of their compensation to the 401(k) feature on a regular basis.

Building Block 6

GAP allows for generous past-service credit to make it more appealing to owners and older employees who have been at a company for a long time.

Here's how the past-service credit works:

- GAP can provide for up to seven years of past-service credit. An employee could earn up to one year of past-service credit for each year of actual GAP participation. Thus, it would take seven years to earn the maximum seven years of past-service credit. The employer is required to fully fund past-service credits in the year in which it is earned. Thus, funding for the maximum seven years of past-service credit occurs over the first seven years of a GAP's life.
- All employees – including low- and moderate-income workers, as well as highly-compensated employees– receive past-service credit on the same basis. Further, when past-service credit is allowed, the period of past service can count toward the vesting requirements of the plan.

Rationale: Experience suggests that permitting generous past-service credits – where employees get pension credit for years worked prior to the establishment of the plan – is a strong incentive for employers to establish plans, since such credits will help the long-tenured employees that firms most want to benefit. Current regulations generally limit past-service credits to five years in the case of a small business.

Building Block 7

GAP permits significant contributions for senior employees in exchange for making a higher contribution for all employees.

In cases where an employer wants to contribute more for senior, higher-paid workers, GAP has a trade-off: It allows employers to choose to follow the tax rules of defined benefit plans, which permit employers to make larger contributions for older workers than the rules generally applicable to money purchase pension and other defined contribution plans.^{viii} However, in return for this higher contribution limit, employers would have to provide a contribution of at least 6.5 percent of compensation to all employees, regardless of age. This is a win-win for rank-and-file employees and for the older key employees that the employer wants to benefit.

Rationale: The Group devoted many hours of discussion in both the large group meetings and in sub-group meetings to balance the interests of employers and employees. Some members wanted to maximize benefits for owners and/or highly paid employees while others wanted to ensure that if this occurs, rank-and-file workers are not short-changed in the level of benefits they were able to obtain in the bargain. As a compromise, the Group decided that, in exchange for giving employers an opportunity to provide higher contribution levels in GAP than they could under a defined contribution plan, employers would have to

provide a 6.5 percent “gateway” (i.e., minimum) contribution of each eligible worker’s compensation into a GAP account. This is a higher contribution rate than is now required under current rules governing defined contribution plans.

Building Block 8

Employers can use the more flexible defined contribution methodologies to test contribution formulas for nondiscrimination.

Rationale: Congress requires all qualified retirement plans to perform nondiscrimination tests to ensure that the plans do not provide a disproportionate share of the benefits to high-paid workers over low-paid workers. Under methodologies permissible under Treasury regulations, it is possible to design a defined contribution plan that provides substantially higher annual contributions for selected highly-compensated employees.^x One methodology permits a plan to provide relatively higher contributions for older employees. A second, more complex methodology (using “rate groups”), permits higher contributions for select higher paid employees, regardless of age. The regulations generally require defined contribution plans that use a form of the latter method to provide either a 5 percent or 7.5 percent gateway contribution for non-highly compensated employees.^x

The Group determined that an employer using “rate group” testing methodologies should have to provide a minimum contribution for non-highly compensated employees. After discussion, the Group settled on a 6.5 percent minimum contribution for plans using such testing methodologies.

Building Block 9

GAP funding rules provide for predictable and easy funding.

GAP rules are designed to allay a key concern of employers regarding traditional defined benefit plans – the unpredictability of the annual contribution employers have to make to keep the plan full funded. With GAP, a plan sponsor will determine required funding in accordance with standardized and conservative interest rates and other actuarial assumptions. If a GAP becomes underfunded, the employer will have a five-year period to amortize the shortfall.

Here are the basic funding rules:

- The plan sponsor funds each year’s additions to employee GAP accounts based on standardized and conservative assumptions.
- When the plan becomes underfunded, the funding gap has to be remedied over a five-year period, which is shorter than would be required under a traditional defined benefit plan and, thus, seen as better protection of workers’ earned benefits.

- Employers can fund a GAP up to 150 percent of its target liability, the same as for defined benefit plans after the Pension Protection Act of 2006. Employers can contribute additional money to an associated Side-Car Trust, as described in the next Building Block (see Appendix C for a case study illustrating the funding method over a seven-year period).

Rationale: The Working Group wanted to establish rules that would reduce contribution volatility and thereby provide employers with better control of annual cash flows to their retirement plan, and at the same time provide a strong degree of benefit security to participants. While there may appear to be tension between these goals, the requirement that plans use conservative actuarial assumptions advances both goals. In addition, the Group anticipates that some employers will use funding strategies that will substantially decrease the likelihood that a plan will ever become even moderately underfunded due to investment performance. The use of the Side-Car Trust, in conjunction with the generous overall full funding limit for the actual plan trust, will provide employers with ample opportunity to advance fund a GAP in good years and hedge against problems that might arise in down years in a firm's business cycle.

Building Block 10

GAP has a unique Side-Car Trust to increase funding flexibility while insuring security for the promised benefits.

To encourage the creation of a financial buffer against down business cycles and market declines, GAP allows employers to set up a Side-Car Trust to build up reserves that could be used to close funding gaps, to fund benefit increases, or simply to meet the employer's normal funding obligations. The Side-Car Trust is set up to operate alongside GAP. The employer would receive a current corporate income tax deduction for contributions made to the Side-Car Trust.

- Sponsors could make tax-deductible contributions into the Side-Car Trust and gains within the trust would not be taxed at the time of the gain.
- Further, there would be no restrictions on transfers from the Side-Car Trust to GAP (aside from the 150 percent funding limit). An employer would be allowed to use funds in the Side-Car Trust to satisfy its normal funding obligation.
- Transfers from the Side-Car Trust to GAP could be made tax-free. Sponsors could withdraw funds from the Side-Car Trust for any reason, but only when the GAP is at least 110 percent funded.
- Shortfalls in GAP funding have to be made up within five years and funds from the Side-Car Trust would be required to be transferred to the plan until the GAP's funding ratio was at least 110 percent.
- Employer withdrawals from the Side-Car Trust would be subject to income tax and a 12 percent excise tax, which is both lower and simpler than the excise tax applied to reversions from existing defined benefit plans.

Rationale: The suggestion for a Side-Car Trust came out of efforts to provide employers with an incentive to keep plans well-funded and create a buffer of funding that could be applied to the plan in difficult

years or during market declines. It was noted by Working Group members that under current law, some employers are unwilling to fund the plan above current plan liabilities because, if an employer wishes to recover all or part of the surplus, the employer must pay both high transaction costs and a high excise tax. On the other hand, other members of the Working Group have a favorable view of current law because, by reducing the incentive for employers to access surplus assets, it helps preserve a cushion against market downturns and increases the odds that employers will improve benefits. The Side-Car Trust vehicle was seen as a compromise position to encourage employers to put aside assets that could, if needed, be used in the future without unnecessarily encouraging employers to withdraw assets from the plan itself.

Reaching a compromise on the amount of the reversion tax (corporate tax rate plus 12 percent excise tax) was one of the most contentious and technically challenging issues the Working Group faced in both the Second and Third Stages of the Conversation on Coverage process. While many members did not want to weaken current protections represented by the reversion tax in existing pension plans, they agreed that designing a different approach for GAP would encourage employers to adopt these plans and effectively provide the plans with a rainy-day fund.

In setting the reversion excise tax at 12 percent (on top of the corporate income tax) the Group chose a rate that was seen by some members of the Group as high enough to recapture, on a rough justice basis, the tax benefits that were realized by making a contribution to the Side-Car Trust. The Group used financial modeling to determine the excise tax's ability to recover the benefits of tax deferral under various timelines as well as assumptions about tax rates and rates of return on investment. The Group was aware that the effective rate of return on investments, particularly for owners of small businesses, is at historic lows, which means that an excise tax may not have to be set high to recover the benefits employers realized from the tax deferral of contributions to a plan or to a Side-Car Trust. The financial modeling suggested that the 12 percent tax would generally more than recover those tax benefits unless an employer left assets in the Side-Car Trust for a decade or more. The Group further believed that most GAP sponsors would not "game the system" if they had to leave assets in the Side-Car Trust for a decade or more to derive meaningful tax benefits, and that in any event, there would be a public benefit if GAP were maintained for more than a decade.

The Side-Car Trust is a feature specifically designed for GAP, in conjunction with other features, to make the plan more attractive than other plans on the market.

Building Block 11

The normal form of benefit in a GAP is a lifetime annuity, with a 75 percent survivor benefit for the spouse. An employer may, however, design a plan to provide alternative forms of benefits, including a lump-sum benefit.

Rationale: These provisions were added to ensure that employers would offer a lifetime monthly benefit as the normal form of benefit, even though GAP is based on an account balance. In other words, GAP adopts and adapts rules that now apply to traditional defined benefit plans, 401(k) plans and some other

defined contribution plans do not require this type of payment. Under current law, the automatic form of benefit under a defined benefit plan is called a joint and survivor annuity. Unless an employee and his or her spouse agree in writing to reject this survivor's option, the retiree's benefit will generally be actuarially reduced to ensure that if the participant dies the spouse can receive a lifetime benefit – usually equal to 50 percent of what the retiree was receiving. The Group believed that the GAP should provide a 75 percent survivor benefit rather than a 50 percent survivor benefit, because in the typical case the survivor will need more than 50 percent of the payments that were made while the participant was alive. The Pension Protection Act of 2006 requires that plans offer a 75 percent survivor annuity as an alternative to the 50 percent survivor annuity.^{xi}

Building Block 12

GAP accounts will be insured by the Pension Benefit Guaranty Corporation (PBGC) at a reduced \$5 annual premium.

Because the benefits are guaranteed, account balances in GAP will be insured by the PBGC. However, because of the strict and conservative funding rules, the premium will be \$5, much lower than the premium charged for traditional defined benefit plans. The idea is that the conservative funding approach required under GAP would expose PBGC to lower risk.

The next steps required to implement GAP are discussed at the end of this Working Group I report, following the discussion of the POPP.

The Plain Old Pension Plan (POPP)

MAJOR DESIGN FEATURES AND KEY ADVANTAGES

As described at the beginning of this Working Group report, POPP is a straightforward career-average defined benefit plan that simplifies funding rules and administration while providing the employer with an opportunity to vary benefit accruals from year to year without formal plan amendments. POPP also permits employers to provide generous past-service benefits, which should make the plan attractive to firms that wish to provide meaningful benefits to employees with long tenures at the time of plan adoption. These features should make POPP an appealing option for small- and medium-sized firms that would like to offer their employees the security of a defined benefit plan.

Below are the major features and key advantages of POPP. This presentation highlights the appeal of particular design features and provides a more detailed description of various elements of the plan.

With these features, the Group reached agreement on the key design elements of POPP. Of course, further work is needed to work out all the details of the plan for the future.

CONCEPT AND BUILDING BLOCKS

POPP is a simplified traditional defined benefit plan that is easy to understand.

POPP is a simplified traditional defined benefit plan that provides a modest basic benefit to allay employer concerns about committing to large future pension funding obligations. The basic benefit is based on a percentage of an employee's career-average pay, which can be as low as one percent, multiplied by the number of years of service, which would be paid to the employee as monthly income starting at the point of retirement. Put another way, an employee's final benefit is the sum of each year's basic benefits – the percentage of their pay for that year.

- **Multiple Employer POPP.** The Group thought that the POPP could also work in a multiple employer context in which a single financial institution could offer the same plan to several companies, investing the assets together.

Building Block 1

POPP'S eligibility rules are designed to expand coverage for workers.

POPP covers more members of an employer's workforce than traditional defined benefit or defined contribution plans. This includes most part-time employees, if they work regularly throughout the year.

- **Eligibility Rules.** The plan would cover all employees who meet the minimum service requirements, including part-time employees. The minimum service requirement is at least one year of work and the employee must be at least 21 years old. If someone is hired at age 18, for example, the plan could require him or her to wait until age 21 to become a participant in the plan. Employers would not be required to cover seasonal employees but could, if they wished. Thus, the plan would typically cover a secretary who worked one day a week, but not a college student who worked for the summer. If the employer has separate lines of business, the plan could be adopted for one line of business only.

Rationale: By including part-time workers, the POPP casts a wider coverage net. By giving employers flexibility to exclude seasonal workers, however, it allows employers to exclude workers who do not have a regular and permanent relationship to the firm. Employer flexibility is further enhanced by allowing employers to offer the plan for only one line of business.

Building Block 2

POPP's vesting rules are more generous than rules governing traditional defined benefit plans.

Contributions to POPP from the employer can be vested in one of two ways: six-year graded vesting or cliff vesting after three years. Graded vesting means the vesting occurs gradually and steadily. Cliff vesting means that employees earn a nonforfeitable right to 100 percent of their benefits at retirement after a specified number of years, which under POPP is three years.

Statistics on Defined Benefit Plans

The defined benefit plan was once the dominant pension plan in the private sector and the public sector. However, even though it has retained much of its prominence in federal, state and local government employee retirement plans, it has lost ground in the private sector. Due to a variety of factors, including competitive pressures, globalization, changing views about retirement benefits by corporations, and the lack of appreciation of the defined benefit plans by many employees, the defined benefit plan is no longer the preeminent method of providing retirement income for private-sector employees. The plan's dominant position eroded within a single generation, as the proportion of the private-sector workforce covered by a defined benefit plan was cut in half from 39 percent in 1980 to 19 percent in 2003.^{xviii} According to a government survey of employers, 21 percent of private sector workers had access to a defined benefit plan in 2005, while 20 percent actually participated in a defined benefit plan.^{xix}

Meanwhile the proportion of workers with a defined contribution plan as their primary retirement plan rose sharply over the same period from eight percent to 31 percent, making the defined contribution plan the dominant type of plan in the workforce.^{xx}

Federal pension data illustrates the extent of the decline in the number of defined benefit plans and employees covered by such plans. According to the Pension Benefit Guaranty Corporation, the number of insured defined benefit plants fell from
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114,396 in 1985 to 30,336 in 2005. The sharp decline was primarily a result of the termination of a large number of small plans. Between 1985 and 2005,^{xxi} the number of single-employer defined benefit plans with 100 or fewer workers fell from 90,061 to 17,997, an 80 percent decline.^{xxii} The number of large defined benefit plans fell from 22,147 to 10,772, a decline of 51 percent.^{xxiii} In recent years, several large pension plans have been terminated and others have been “frozen” so that participants no longer accrue pension benefits.

There has been a similar decline in the total number of workers covered and the share of private-sector workers covered by a defined benefit plan. In 1980, for example, 27.42 million private workers representing 35 percent of the 78.35 million private sector workforce were covered by a defined benefit plan.^{xxiv} In 2003, by comparison, 21.26 million workers representing 18.5 percent of the work force of 114.92 million private sector workers were covered.^{xxv}

The data suggests that while the defined contribution plan has become a more popular method for providing retirement benefits, it has not achieved the degree of success that the defined benefit system enjoyed before the rise of the defined contribution plans, particularly 401(k) plans. And despite its relative decline, the defined benefit plan remains an important part of the employee benefits system, especially at larger firms. Also, the defined benefit plan continues to be the plan of choice for federal, state and local government employees and for workers in the unionized sector of the economy.

- **Faster Vesting.** The POPP vesting rules for employer-provided benefits are identical to the vesting requirements for top-heavy plans and for employer matching contributions to 401(k) plans: six-year graded vesting or cliff vesting after three years. (The Pension Protection Act of 2006 has extended these vesting rules to all defined contribution plans, and has also extended three-year cliff vesting to cash balance plans.) The vesting options are thus more generous than the rules that still govern traditional defined benefit plans. Vesting would only count service from the date POPP was adopted unless the employer chose to count years prior to adoption of POPP.

Building Block 3

POPP gives employers flexibility to provide bigger benefits in any given year without fear of being locked in to offering a bigger benefit every year.

POPP allows employers to fund bonus benefits in any given year or years that would raise the final benefit without having the bonus benefits become part of the permanent benefit structure. This means that employers can increase benefits in years when they have good financial performance, and provide only the basic benefit in years when the company does not perform as well.

The POPP bonus benefit can work as follows:

- The employer may give a bonus benefit to employees without committing to a permanent increase.
- Or, the employer might increase the benefit by the cost-of-living, and such COLAs would be treated as a bonus benefit for the years they covered.
- A bonus benefit would raise the final annuity in the plan. For example, if a worker earned \$50,000 per year from an employer, that employee would accrue a basic benefit of an annuity on retirement of \$500 (one percent of \$50,000) for that year. If the employer gave a bonus benefit of an additional two percent for that year, then the employee would accrue a benefit of \$1,500 (one percent basic benefit plus two percent bonus benefit equals three percent of

\$50,000 for that year). The employee's final benefit would be the sum of each of the annual accruals, including both basic benefits and bonus benefits for the years of service.

- These provisions give the employer the opportunity to improve benefits on an annual basis in good years without having to maintain those benefits going forward. Thus, the employer could return to the basic one percent benefit the following year. The decision on year-to-year benefit changes can be done administratively. That is, the bonuses could be done by board of directors' resolution and a participant announcement each year rather than a formal amendment of the plan.

Rationale: By providing plans with the opportunity to improve benefits in good years without requiring that these additional benefits become permanent, POPP gives employers greater flexibility in providing benefits when they can afford it and improves the chances workers will earn bonus benefits.

Building Block 4

POPP allows for generous past-service credit to make it more appealing to owners and older employees who have been at a company for a long time.

The plan would permit employers to provide as much past-service credit as they would like to employees for all or part of the years they served in the company prior to the establishment of the plan. This means that all employees would get extra benefit credit for years worked before the plan started—which is an appealing feature for small business owners. All of the past-service credit would be earned and funded on a pro-rata basis over seven years from the year it was adopted.

Here are the rules for past service:

- The past-service credit would be amortized, that is funded in regular installments, over a seven-year period from the date adopted.
- Employees would earn the past-service credit over the same seven year period (if, for instance, the company decided to give seven years of past credit, the employee would work one year in the future, to earn benefit credit for one year in the past).

The past-service credits make the plan very attractive to businesses that previously did not have a plan with any kind of defined benefit.

Rationale: Experience shows that permitting generous past-service credits is a strong incentive for employers to establish plans, since credits will help the long-tenured employees that firms most want to benefit. Because these benefits could be subjected to future vesting, the employer would be able to use them as a retention device for continued service by employees, although the employer could credit past service for vesting as well.

Building Block 5

Employers can offer a plan that allows voluntary employee contributions to increase the final POPP benefit.

An employer can design a POPP that permits employees to make pre-tax salary-reduction contributions to increase their retirement benefit. Benefits would be determined using the same actuarial tables as the employer. (See information in Appendix D on tables and funding rules, as well information in the next building block on how the funding works.) This allows the best of both worlds. While POPP is primarily an employer-funded plan, which is appealing to low-income workers, those who can afford to can contribute more money. Employee contributions in the POPP would not be able to exceed annual employee deferral contribution limits set by the law, which is \$15,500 in 2007.^{xii}

- **Contributory DB Conversion to POPP.** An employer with a contributory defined benefit plan, where contributions are post-tax, could convert to a POPP and employee contributions would be pre-tax.

Rationale: These provisions give the employee the opportunity to improve their retirement benefit, either through a contribution to the POPP to improve their defined benefit – or by contributing to a 401(k) plan with individual accounts. The employee-deferral contribution limits would apply to all of the employee's pre-tax contributions to POPP and to all plans for the year.

Building Block 6

POPP provides for predictable and easy funding.

Contributions will be made under conservative actuarial assumptions using government-authorized tables. This would simplify administration and allay employer concerns about the potential volatility of the funding liability.

- **Basic Benefit.** The final basic benefit is based on a percentage – as low as one percent – of an employee's career-average pay multiplied by the years of service.
- **Treasury Tables Published Annually.** The annual contribution for each participant would be determined in accordance with tables on key actuarial variables for mortality and interest rates published annually by the U.S. Department of Treasury, which would set a contribution amount per dollar of benefit based on the participant's age in each particular year. The amounts set forth in the tables would be determined using conservative actuarial assumptions, to reduce the possibility of funding shortfalls. Employers would calculate each year's required contribution by aggregating the contributions on the table for each participant. Some members of the Working Group suggested that the government publish the actuarial tables required in this plan every five years instead of annually.
- **Examples of How Funding Works.** Tables to illustrate how the plan will be funded are located in Appendix D.

- **Smoothing of Investment Losses.** The plan would be subject to periodic actuarial valuations, primarily to assess investment experience since mortality and interest rates would be covered automatically under tables. Investment experience would be smoothed by using a five-year rolling average of the asset valuation (or, if less, the number of years since the plan was established). Investment shortfalls are to be funded in installments over seven years.

Rationale: POPP was designed to simplify the funding rules and reduce employer concerns about the plan developing large unfunded liabilities that might overwhelm a small business. Conservative and consistently applied funding assumptions make the calculation of the annual contribution simpler, while also making funding more predictable and less variable from year to year. The use of smoothing^{xviii} will reduce the volatility of differences between actual investment experience and the assumptions reflected on the government tables.

Building Block 7

The retirement benefit from a POPP must be paid out as an annuity.

All benefits from the plan would be paid in the form of a qualified joint and survivor annuity. Lump-sum distributions would not be permitted except when the benefit is worth less than \$5,000. Benefits for terminated employees could be transferred to the PBGC for future payout to further simplify administration.

- **Distributions from 401(k) Feature.** The 401(k) feature cannot be paid out as a lump sum and is instead to be applied toward increasing the annuity benefit with an additional pre-tax contribution, and not for separate investments by the participant.

Rationale: Requiring that the benefit be taken only as an annuity ensures that the purpose of the POPP is preserved; that is, that the plan provides retirement security through lifetime benefits. If the employer wishes to provide employees with a straight savings plan, they can sponsor a 401(k) plan in addition to the POPP as an alternative to allowing employees to augment their benefits through elective POPP contributions.

- **Small Balances and Cash-Outs.** A plan could be designed to permit an employee to elect a lump-sum distribution if the present value of his or her benefit at retirement age is less than \$5,000. The plan, however, could not require the employee to take a lump sum unless the benefit has a present value of less than \$1,000. A participant may rollover a lump-sum payment to an IRA. Notwithstanding the above, if a benefit is transferred to the PBGC, the PBGC may make payments in accordance with its normal rules. (See discussion in Building Block 8 about participants in terminated plans.)

Rationale: These cash-out provisions were designed to minimize small balance issues associated with the requirement that the benefit be given as an annuity, while also allowing even small accumulated benefits to be preserved until retirement.

- **No Minimum Benefit.** POPP does not require a minimum top-heavy benefit even if the plan becomes top heavy.

Rationale: Because POPP provides the same level of benefits for all employees, the possibility for discrimination in favor of key or highly-paid employees is negligible. Indeed, if a POPP becomes top heavy, it will generally be because of turnover and not because the benefit formula is skewed to the highly paid.^{xiv} Thus, the Group did not think that the plan needed to provide a minimum benefit in excess of a plan's basic benefit, even if the plan did become top heavy.

Building Block 8

POPP is insured by the Pension Benefit Guaranty Corporation and employers will pay lower premiums for this insurance.

POPP would be insured by the PBGC and employers would pay a premium of \$5 per participant per year, lower than the cost charged traditional plans.

- **Benefits Transferable to PBGC for Plan Terminations.** When a plan terminates, benefits of terminated participants could be transferred to the PBGC. Or they could be held in the plan for distribution as an annuity at retirement age.

Rationale: A lower PBGC premium was recommended to mitigate one of the objections that employers have to adopting defined benefit plans: namely, the cost of pension insurance premiums. Lower premiums are justified because POPP's conservative actuarial assumptions, coupled with its stringent funding of past service credit, minimizes the risk of loss to the agency.

- **Participants in Terminated Plans.** Under the proposed plan design, the benefits of terminated participants could be transferred to the PBGC. Or benefits could be held in the plan for distribution at retirement age. To reduce the burden of employees with small balances, the plan could allow for cashing out those with a benefit worth \$1,000 or less.

Rationale: These provisions are designed to preserve as much of a retirement benefit as possible and to ensure that the benefit is paid out as an annuity, while giving employers some relief from the burdens associated with maintaining balances worth \$1,000 or less.

Building Block 9

If the plan is terminated, there is no reversion of any surplus assets to the employer.

Under this provision, the excess would be used to increase benefits of current employees to compensate them for the lost opportunity to accrue more benefits. The surplus could also be used to increase benefits for retirees.

These provisions give employees the benefit of surpluses in terminated plans. Some members of the Working Group objected to the proposed reversion rules and suggested instead that the plan be governed by existing reversion rules.

Rationale: If surplus assets arise because of strong investment performance, many of the Group thought those benefits should accrue to the employees.

Building Block 10

An employer can convert POPP to a traditional defined benefit plan at any time.

Nondiscrimination Issues. POPP could be amended to convert it to a traditional defined benefit plan. The converted plan would be permitted to use all available nondiscrimination testing methodologies available to regular defined benefit plans. After conversion, the employer would fund and run the converted plan as a traditional defined benefit plan, including providing a minimum benefit to all workers eligible to participate if the plan is top heavy.

Rationale: These provisions allow employers to upgrade POPP to a regular defined benefit plan. This provision would be useful if the employer merges with an employer with a regular defined benefit plan or decides that it wants more complex features in its plan.

Building Block 11

Employers are eligible for a tax credit for funding POPP pensions for workers who are not highly compensated.

Employer Tax Credit. POPP would allow employers a tax credit equal to five percent of the contributions made to fund the benefits for non-highly compensated employees for a period of five years. The credit would be recaptured by the Internal Revenue Service if the employer terminates the plan within five years. This provision would help employers cover the costs of providing the benefits to all workers, including eligible part-time workers. The tax credit for POPP could be similar to a temporary tax credit that was offered on contributions to Payroll Stock Ownership Plans.

Rationale: These provisions are designed to make the plan more attractive to employers and, in the process, encourage more widespread adoption and a consequent expansion of coverage.

Employee Tax Credit. The Working Group generally agreed that POPP should provide an employee tax credit similar to the Saver's Credit.

Rationale: This provision would encourage more employees to make additional contributions to the plan and, thus, improve the final benefit.

The next steps required to implement POPP are discussed following the discussion below of other ideas supported by the Working Group.

Other Ideas Supported by Working Group I

Tax Credit Ideas

The Group discussed developing new kinds of tax credits to encourage increased coverage in defined benefit plans. Below are three broad concepts the Group recommends.

- **Immediate Vesting.** Give employers a tax credit to provide immediate vesting of benefits.
- **100 Percent Coverage of Employees in a Single Line of Business.** Give employers a tax credit for providing this level of coverage. Some thought a credit should be given only to employers that meet this benchmark; others thought it could be structured for less. There was no agreement exactly on how that should be done.
- **Reduction of the 1,000 Hours Requirement for Plan Participation and Benefit Accrual/Allocation.** Reduce from 1,000 to 500 hours the threshold for making part-time workers eligible for a defined benefit plan. At the same, employers could exclude seasonal workers.

All of the suggestions above need further exploration.

What's Next for GAP, POPP and Implementation Strategies

Survey of GAP and POPP

The Working Group is preparing surveys of pension plan advisers on the potential appeal of both GAP and POPP. The survey is being conducted by the Employee Benefit Research Institute^{xv} (EBRI) and is being sent to the membership of the American Society of Pension Professionals and Actuaries^{xvi} (ASPPA). The survey was developed after submitting descriptions of both GAP and POPP to a focus group made up of ASPPA members. The survey should help determine whether employers have an interest in GAP and POPP and what the likely impact on both coverage and eventual retirement income would be if these plans were introduced into the marketplace. The results of these surveys will be available later in 2007 or early 2008.

Task Forces for the Implementation of GAP and POPP

The Working Groups will set up two task forces among its members and outside experts to determine the best way of moving GAP and POPP forward.

Implementation of GAP

The Working Group believes that GAP has many novel design features that work together to create an attractive plan — including the plan's simplified funding rules, the availability of a Side-Car Trust, and

the choice between defined benefit and defined contribution plan maximum limits on contributions and benefits. These features taken together may make GAP more appealing than traditional defined benefit plans or cash balance plans. In addition, the group believes that GAP has important participant protections not available in cash balance plans, including the larger survivor annuity and the guaranteed rate of return on account balances.

Many of the features of GAP are not consistent with current law. The Working Group task force will determine how to move this proposal forward to facilitate the unique benefits and rules for GAP which were created to work together to offer a unique blend of benefits for employers and employees (see Appendix E for information on GAP and current law).

Implementation of POPP

At its heart, the POPP is a simplified career-average pay defined benefit plan. An employer can today adopt such a plan, but the plan would not have some of the flexibility or other benefits of the POPP — for example, the ability to have discretionary bonus benefits, to provide more generous past-service credit, or to pay a reduced PBGC premium. The employer would also be left to the complex funding mechanisms mandated by current law, which was modified by the Pension Protection Act of 2006. Moreover, the POPP provides social benefits by requiring broader coverage than required by a traditional plan and by allowing employees to make elective contributions that would purchase a benefit in the form of an annuity, with a better basic survivor benefit for the spouse of the participant. The POPP task force will determine how to move forward the unique benefits and rules of this plan (see Appendix F for information on the interplay between POPP and current law).

Development of Demonstration Project to Test GAP and POPP

The Group will also explore the feasibility of setting up projects to test POPP and GAP – especially after the surveys and modeling are completed to determine the level of interest in both plan types. There was also a suggestion to explore ways that government agencies might be able to provide exemptions so that POPP and GAP could be tested among a specific group of employers to determine the potential to increase coverage through the marketing of these new forms of plans.

Endnotes

ⁱ For employers the Group generally agreed that the following criteria should be considered: reduced regulation, low administrative costs, low contribution costs, high benefits for owners and officers, attractiveness to prospective employees, designs with tax benefits to the company and owners, designs with contribution flexibility for the owners. For employees, the Group generally agreed the following criteria should be considered: low costs in terms of contributions and high returns on assets in the plan, protection against investment risk, employee control over assets, portability of assets, protection against longevity risk, protection against inflation, tax benefits, psychological benefits of owning assets, simplicity and fairness for employees, and the adequacy of benefits provided under the proposal. From *Covering the Uncovered: Common Ground Recommendations to Expand Retirement Savings for American Workers*, Working Report of the Conversation on Coverage, 2005, p. 6.

ⁱⁱ For more information on the DB-K and hybrid plans the Group discussed, see *Covering the Uncovered: Common Ground Recommendations to Expand Retirement Savings for American Workers*, Working Report of the Conversation on Coverage, 2005, p. 7.

ⁱⁱⁱ There were two issues regarding cash balance plans: Most members of the group believed that cash balance controversy arose from conversions of traditional defined benefit plans into cash balance plans, which some in the Group believed led to a reduction in their expected benefits. The group agreed that employers should not be able to convert an existing defined benefit plan into a GAP. The second concern involved some of the legal and conceptual problems that cash balance plans encountered because they tried to marry a hybrid structure to the regulatory regime governing defined benefit plans. The group believed that these problems were largely avoidable if it started with a regulatory structure designed for defined contribution plans, rather than defined benefit plans, and worked from there.

^{iv} The three percent minimum guarantee was adopted as an underlying protection that is more predictable and secure than an index guarantee. Indices go down as well as up, and can have long periods of underperformance, as they did from 2000 to 2004.

^v An employee is said to be “vested” in a pension when the employee becomes entitled to the benefits of the plan, including employer contributions to a plan and their earnings. The time until a benefit is vested is defined under guidelines set forth in the chief federal pension law, the Employee Retirement Income Security Act (ERISA) of 1974 as amended.

^{vi} Plans are top-heavy when key employees amass benefits (vested and unvested) greater than 60 percent of the entire pool of benefits. A key employee is any employee who during the plan year was: (1) an employee who is a five percent owner of the employer; (2) an employee who is a one percent owner and who earned more than \$150,000; (3) any officers of the employer company; and (4) any employees earning more than \$130,000 (adjusted for the cost of living). Additional requirements apply to top-heavy plans, such as more rapid vesting schedules and minimum contributions for plan participants who are not key employees.

^{vii} A contribution arrangement of an employer-sponsored retirement plan under which participants can choose to set aside part of their pre-tax compensation as a contribution to the plan. These are also known as “salary-deferral” or “salary-reduction contributions.”

^{viii} Section 415 of the Internal Revenue Code provides outer limits on the size of contributions that can be made to a defined contribution plan, and on the size of benefits that can be accrued over a career in a defined benefit plan. For defined contribution plans, the contribution limit for 2007 is \$45,000, plus an additional \$5,000 “catch-up” contribution for employees at least 50 years of age. The limit is an aggregate limit for employer and employee contributions, combined. For defined benefit plans, Section 415 provides that the maximum annual annuity benefit that can be paid is \$180,000 annually, beginning at age 62. The annual contribution necessary to fund this benefit varies with factors such as the age of the employee, the period of time the employee has participated in the plan, and the age at which the employee will retire. For an older participant in a recently adopted plan, however, the benefit limit might effectively permit a contribution well in excess of \$100,000 per year.

^{ix} A highly-compensated employee is a term in the Revenue Code that describes any employee who either (1) owned more than five percent of the company during the current or preceding year or (2) received compensation in excess of \$80,000 (indexed) in the preceding year and, if the employer elects, was in the top 20 percent in annual compensation.

^x The 7.5 percent gateway applies when the employer uses a combination of a defined contribution and a defined benefit plan. Older favored employees would participate in the defined benefit plan (and perhaps defined contribution plan as well). The use of the defined benefit plan permits the employee to accrue a benefit restricted by the section 415 limits for defined benefit plans, which for older employees will generally permit the employee to earn a larger annual benefit than the employee could in a defined contribution plan, where the limit on employer and employee contributions for 2007 is \$45,000, with an additional \$5,000 catch-up contribution for employees who are at least 50.

^{xi} If someone chooses the 75 percent option, the lifetime benefit of the participant will be reduced accordingly.

^{xii} These are the 402(g) limits of the Internal Revenue Code that apply to employee deferrals into retirement savings plans such as SIMPLE, 401(k), 403(b), and 457(b) plans.

^{xiii} The investment return built into the charts is a constant. The employer’s actual investment experience will be done on an average return basis over five years, rather than on annual results, to reduce volatility in contributions. The employer’s investment experience will alter the contributions from those published in the tables. If the investments outperform the assumed rate, then the employer gets a contribution holiday. If the investments underperform, then the employer has to contribute more.

^{xiv} In effect, POPP has adopted the minimum benefit formula for defined contribution plans where the employer has to contribute the same rate he has contributed for key employees.

^{xv} Jack L. VanDerhei, EBRI Fellow and a member of Working Group I, is developing the survey and will run the results of the survey through EBRI's computer simulation models.

^{xvi} Brian H. Graff, the executive director and chief executive officer of ASPPA and a member of Working Group I, has made the membership of ASPPA available for the survey by EBRI for the Conversation on Coverage.

^{xvii} The benefit of having a lifetime annuity in a defined benefit plan has, however, been eroded in recent years as more plans have opted to offer lump sums as a pay-out option, and many employees have chosen to take lump sums instead of an annuity. In 1997, fewer than 25 percent of defined benefit plan participants even had an option to take benefits in a lump sum, but in 2003 48 percent of all private-sector workers could take their benefit as a full or partial lump sum. This data is from U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in Private Industry in the United States, 2003," Bulletin 2577 (Washington, D.C.: U.S. Department of Labor: October 2005, Table 47, p. 62.

^{xviii} From Department of Labor Form 5500 data, as reported in Marris Buessing and Mauricio Soto, "The State of Private Pensions: Current 5500 Data," Issue in Brief 42, Center for Retirement Research at Boston College, Appendix Table E4.

^{xix} U.S. Department of Labor, Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2006," (Washington, D.C.: U.S. Department of Labor, August 2006), Table 1, p. 6 and Table 2, p. 7. Web site: <http://stats.bls.gov/ncs/ebs/sp/ebsm0004.pdf>

^{xx} Buessing and Soto, Appendix Table E4.

^{xxi} Pension Benefit Guaranty Corporation, *Pension Insurance Data Book 2005*, Table S-31, p. 58.

^{xxii} Ibid.

^{xxiii} Ibid.

^{xxiv} Ibid., Table S-33, p. 60.

^{xxv} Ibid.

