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Statement

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Subcommittee on Labor-Management Relations
Committee on Education and Labor
U.S. House of Representatives

Hearing on

The Financial Status of the Pension Benefit Guaranty Corporation

by

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STATEMENT OF DALLAS SALISBURY
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SUMMARY

The private pension system is strong. The number of pension plans continued to grow significantly even after the enactment of ERISA in 1974. From 1975 to 1988, the total number of tax-qualified employer-sponsored plans (both defined benefit and defined contribution plans included) increased from 311,000 to 730,000 and gross participation (active workers, separated vested, survivors, and retirees) in such plans rose from 45 million to 78 million over the same period. The assets in these plans grew to $2.9 trillion at the end of 1991 and the Federal Reserve estimate for 1992 is $3.2 trillion.

ERISA in general, and the provisions related to PBGC in particular, have been amended many times since 1974 in an effort to better achieve the original purposes of the Act. PBGC has consistently undertaken analysis to identify areas where further change would improve the system.

PBGC's ability to meet its future obligations depends upon the health of the entire private defined benefit system. PBGC reports that in the aggregate defined benefit plans have $1.3 trillion in assets to back $900 billion in benefit liabilities. Available evidence suggests that approximately 85 percent of pension plans have assets equal to or exceeding 100 percent of liabilities.

The PBGC currently reports a deficit of $2.5 billion in the single employer fund. There is an estimated $40 billion in underfunding within individual single-employer plans—$12 billion of which is considered by PBGC to pose a risk because of sponsors' financial trouble. However, the underfunded plans are 75 percent funded with liabilities of $162 billion and assets of $122 billion.

The 1991 PBGC exposure of $40 billion was lower than at anytime between 1978 ($145 billion) and 1986 ($61 billion), except for 1984 ($32 billion) and 1985 ($40 billion). Current exposure is approximately 53 percent of the historic average of $75 billion. PBGC is a stronger agency today than at any time in its history, both financially and in its legal authority.

While the overall defined benefit system is financially strong, policies can be enacted to further strengthen the system where needed and enhance the well being of the defined benefit system and its participants and beneficiaries. Recommendations and policy issues that should be considered include:

- Enhanced PBGC bankruptcy protection
- Changing PBGC accounting methods from cash to accrual
- Need to decide whether or not to reinforce the continuation and growth of defined benefit plans
- Requiring interagency impact assessments
- Need to allow and require advance funding
- Acknowledgment that new defined benefit plans will not be fully funded
- No taxpayer guaranty for PBGC
- Enhancing information collection
- Establishing means for PBGC financial accountability
- Upgrading Status of PBGC Executive Director
- Clarifying intended use of pensions—retirement or savings?
- Deteriorating plan funding by troubled sponsors
- Caution in the use of pension fund assets for infrastructure investment or other purposes.

When considering any pension related policy proposal, such as proposals to place an excise tax on pension trust fund assets or to use pension funds for infrastructure investment, the potential effects on defined benefit plan funding, benefit security, and the PBGC should be considered.

STATEMENT OF DALLAS SALISBURY
EMPLOYEE BENEFIT RESEARCH INSTITUTE
FOR THE EDUCATION AND LABOR SUBCOMMITTEE ON
LABOR-MANAGEMENT RELATIONS
U.S. HOUSE OF REPRESENTATIVES
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I am pleased to appear before you this morning to discuss the financial condition of the Pension Benefit Guaranty Corporation (PBGC). My name is Dallas Salisbury. I am president of the Employee Benefit Research Institute (EBRI), a nonprofit, nonpartisan, public policy research organization based in Washington, D.C. I was with the Department of Labor (DOL) and then PBGC in the early 1970s, I have served as a representative of the general public on the ERISA Advisory Council at the U.S. Department of Labor and am presently a member of the PBGC Advisory Committee.

Since its founding in 1978, EBRI has been committed to the accurate statistical analysis of economic security issues. Through our research, we strive to contribute to the formulation of effective and responsible health, welfare, and retirement policies. Consistent with our mission, we do not lobby or advocate specific policy solutions.

The views expressed in my oral and written remarks are my own and should not be attributed to the Pension Benefit Guaranty Corporation or the Employee Benefit Research Institute.

Introduction

The Employee Retirement Income Security Act of 1974 (ERISA) was a landmark piece of legislation. Among its major provisions was the creation of the Pension Benefit Guaranty Corporation (PBGC) to strengthen retirement security by guaranteeing basic benefits for employer sponsored defined benefit pension plan participants. Since the enactment of ERISA, employer sponsored pension plans have assumed an increasingly important role in providing retirement income security. ERISA in general, and the provisions related to PBGC in particular, have been amended many times since 1974 in an effort to better achieve the Act's original purposes.

Increasing attention has been focused on PBGC and its financial condition in the past few years. Legislative and administration proposals have been introduced to make the agency more effective and to ensure its future fiscal solvency. In addition, other proposals have been discussed that could potentially impact the financial status of defined benefit plans and thus PBGC. These proposals include the use of pension fund assets to fund infrastructure investment, deficit reduction, and guaranteed retiree health care benefits for certain employees. Policymakers should seriously scrutinize such proposals in terms of their ultimate impact on the defined benefit pension system and PBGC—to the degree that such proposals weaken the funding status of defined benefit plans, they could only serve to worsen any PBGC problems.

In response to the increasing interest in PBGC and its financial status, EBRI prepared an in-depth analysis of PBGC in May 1992—*EBRI Issue Brief* No. 126: "PBGC Solvency: Balancing Social and Casualty Insurance Perspectives." I ask that the full text of that review be included in the record of this hearing. My testimony highlights findings from EBRI's assessment of PBGC and discusses, in some detail, issues and policy options regarding strengthening the agency.

Strength of Private Pension System

The private pension system is strong. The number of pension plans has grown significantly since the enactment of ERISA. From 1975 to 1988, the total number of tax-qualified employer-sponsored plans (both defined benefit and defined contribution plans included) increased from 311,000 to 730,000 and gross participation (active workers, separated vested, survivors, and retirees) in such plans rose from 45 million to 78 million over the same period. The assets in these plans grew to $2.9 trillion at year end 1991 (table 1).

Private pensions are an important source of retirement income and are expected to grow. According to the Advisory Council on Social Security, the percentage of elderly families receiving income from employer-sponsored pensions is expected to increase from the current 40 percent to 76 percent by 2018.

In 1990, private pension benefits of $141.2 billion accounted for 31 percent of the $457.3 billion in total retirement benefit payments. By comparison, private pension benefits totaled $7.4 billion in 1970. Combined with benefits paid by the federal civilian and military retirement system and state and local government employee retirement systems, employer payments of $234.3 billion accounted for

51 percent of total benefits in 1990. Social Security benefits for retirees and their spouses and dependents accounted for the remaining 49 percent of total benefits (table 2).

According to EBRI tabulations of the March 1992 Current Population Survey, in March 1991, 66.6 million civilian workers, or 55.6 percent of all such workers, worked for an employer that sponsored a pension plan, i.e., they were covered by a plan (defined benefit and/or defined contribution). More than 43 percent (52 million) of all workers actually participated in an employer plan. Coverage and participation rates increased from their 1989 levels of 54.2 percent and 42.7 percent, respectively (table 3).

Defined benefit plans have historically been the cornerstone of the private pension system. However, there has been a general trend toward the establishment of supplemental defined contribution plans among large employers and primary defined contribution plans (as opposed to defined benefit plans) among medium and small employers since regulatory clarification in the Revenue Act of 1978 and its 401(k) provisions. Overall, an increased number of defined benefit terminations, a slower rate of defined benefit plan formation, and fundamental redesign of traditional "final pay" defined benefit plans into "cash balance"[1] defined benefit plans suggests that U.S. employers are reevaluating the balance of plans they wish to sponsor.

In 1975, there were 103,000 defined benefit plans with 33 million gross participants and $186 billion in assets. In 1988, there were 146,000 plans, down from the peak of 175,000 plans in 1982 and 1983. Since 1983, the number of gross participants has remained in the 40 million–41 million range . In 1988, assets totaled $912 billion. Over the same time period, the number of defined contribution plans increased from 208,000 to 584,000. The number of gross participants increased from 12 million to 37 million in 1986, and remained at that level in 1988. Moreover, the amount of assets in such plans increased from $74 billion to $592 billion between 1975 and 1988 (U.S. Department of Labor).

Funding Status of the Defined Benefit System

PBGC's ability to meet its future obligations depends upon the health of the entire private defined benefit system. PBGC reports that in the aggregate defined benefit plans have $1.3 trillion in assets to back $900 billion in benefit liabilities.

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[1]Cash balance plans are legally defined benefit plans but combine features of both defined benefit and defined contribution plans.

Available evidence suggests that approximately 85 percent of pension plans have assets equal to or exceeding 100 percent of liabilities, up from 45 percent in 1981; 38 percent of plans have assets in excess of 150 percent of liability for accrued benefits (table 4). The percentage of plans that were fully funded on a termination basis increased every year between 1981 and 1987 and leveled off between 1987 and 1991.[2]

From 1977 to 1987, the funding status of single-employer defined benefit plans has significantly improved, rising from an average of 85 percent funded to 129 percent funded on a termination basis (table 5). Since 1980, defined benefit plans on average have been overfunded. The increase in funding ratios most likely reflects a combination of factors, including higher contribution rates needed to meet minimum funding standards, favorable investment returns on equity, and the use of higher interest rate assumptions to discount future benefits.

While the defined benefit system is well funded in the aggregate, there nonetheless exist significant pockets of underfunding within the system. PBGC estimates that there exists $40 billion in underfunding within single-employer plans, $12 billion of which is considered by PBGC to constitute a reasonably possible loss because of sponsor financial trouble. The underfunded plans had liabilities of about $162 billion and assets totaling about $122 billion. Thus they were 75 percent funded in the aggregate indicating that if all troubled sponsors were to close down immediately the PBGC would recover assets sufficient to make the resulting benefit payments for a significant period of time before unfunded liabilities would have to be covered. The underfunding tends to be concentrated in a few industries such as the steel, automobile, airline, and tire industries.

PBGC Activity

PBGC insures benefits in the event of underfunded terminations. After an underfunded termination, PBGC becomes the plan trustee. This means that PBGC takes over plan records, determines benefit eligibility and amounts, and then pays the benefits. Table 6 presents historical information on the amount of benefits paid and the number of participants receiving these benefits, in addition to the number of plans trusteed and pending trusteeship.

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[2]Throughout this discussion termination basis refers to basing funding ratios on benefits accrued and assets accumulated at the end of the plan year—the assumptions plans would use to calculate liabilities for standard terminations. Termination basis funding does not refer to PBGC's calculation of liabilities for underfunded terminations, which use termination mortality and retirement age assumptions.

PBGC's Financial Condition

While PBGC has a deficit, it does not pose the dangers of the "Savings and Loan Crisis." According to PBGC, the agency had a deficit of $2.5 billion in 1991 in the single-employer fund and there currently exists an estimated $40 billion in underfunding within individual single-employer plans—$12 billion of which is considered by PBGC to pose a risk because of sponsors' financial trouble. Table 7 presents a time trend of financial information for PBGC and the insured system.

Table 7 demonstrates the willingness of Congress to adjust premiums to maintain the cash flow solvency of the agency. Premium income is currently at an all time high and the cash flow is quite positive. According to PBGC, "Although cash flow could turn negative as early as three years in the pessimistic forecast, the fund has ample assets to pay its liabilities (benefit payments) for a considerable period of time" (Pension Benefit Guaranty Corporation, 1991). As noted above, even underfunded plans that may terminate will bring assets with them.

The agency's deficit, while trending upward over time, has exhibited a great deal of volatility, particularly in the mid-to-late 1980s. The 1986 PBGC Annual Report placed the deficit at $4 billion due to LTV. The 1991 deficit of $2.5 billion is higher than at any time other than 1986. While the reported deficit includes the present value of liabilities for future benefit payments, it makes no attempt to include future revenue receipts that will be available to at least partially cover these liabilities. According to PBGC, current premium receipts total $790 million per year, while interest and dividend receipts currently approximate $305 million per year (PBGC, 1991).

Table 8 compares PBGC's current reported exposure level with available figures of past exposure (all adjusted to 1991 constant dollars). The 1991 exposure of $40 billion is lower than at anytime between 1978 ($145 billion) and 1986 ($61 billion), except for 1984 ($32 billion) and 1985 ($40 billion). In fact, current exposure is approximately 53 percent of the historic average of $75 billion. PBGC is a stronger agency today than at any time in its history, both financially and in its legal authority.

Issues and Policy Proposals Regarding the Defined Benefit System and PBGC

While the overall defined benefit system is financially strong, policies can be enacted to further strengthen the system and the security of participants and beneficiaries where needed as well as enhance the well being of PBGC in the process. The following section discusses, in brief, recommendations that have been advanced and issues that must be considered when making policy decisions affecting the defined benefit system and PBGC.

Enhanced PBGC bankruptcy protection

To help assure that benefit promises made are kept, PBGC could benefit from a clarified and strengthened position in bankruptcy cases, including but not limited to a position on creditor committees. PBGC was given a statutory lien and priority in ERISA that has not been recognized by the courts because it was not also added to the Bankruptcy Code.

Changing PBGC accounting methods from cash to accrual

The budget treatment of PBGC could be changed from a cash accounting basis to an accrual accounting basis. This change would provide a more accurate picture of PBGC and the value of advance funding insured plans. At the same time, it would provide a way to allow better funding of these plans without being counted as a revenue loss.

Need to decide whether or not to reinforce the continuation and growth of defined benefit plans

PBGC was established on the premise that defined benefit pension plans are the best method of providing assured retirement income for participants and beneficiaries at the lowest cost to them and the economy as a whole. However, over the last four years PBGC created a strategic plan that no longer included as a goal the growth and formation of the defined benefit system. The future stability of PBGC is dependent on defined benefit plans being there to pay premiums. Policymakers, like yourselves, should decide early what the philosophy will be on plan type and then bring as many policies as possible in line. If it does not favor defined benefit plans it should seek fundamental changes PBGC to avoid major problems in the future.

In addition, the law could also be changed to give at least as much incentive to defined benefit plan as defined contribution plan sponsorship. Previously considered proposals that require large employers to have a basic defined benefit plan or money purchase defined contribution plan before establishing a variable contribution defined contribution plan could be reconsidered. Required contributions might be made to defined benefit plans before a sponsor makes contributions to a defined contribution plan if both are sponsored. Moreover, when a defined benefit plan is terminated that is underfunded and it passes liability to PBGC, it might be made illegal for a follow-on defined contribution plan to be established for some number of years. PBGC has been harmed financially when employers have chosen to contribute to a defined contribution plan while allowing their defined benefit plan to become even more underfunded.

Requiring interagency impact assessments

There has been very little interagency coordination regarding PBGC in recent years regarding pensions. Ideally, as noted in the introduction to this testimony, all legislative and regulatory actions taken by all units of the government should be considered in terms of impact on defined benefit plans and **PBGC obligations**. This might include the development of a PBGC impact statement. Moreover, an intergovernmental body should be created to assure formal reviews of such proposals as well as policy coordination. Interdepartmental coordination should begin at the stage of project definition and continue at each step of development. This should probably apply to all aspects of ERISA, not just PBGC. The National Commission on Private Pensions, included in last year's tax bill (H.R. 11), might also be able to focus on these issues.

Need to allow and require advance funding

It is clearly desirable for employers' pension promises to be advance funded, whether in the public or private sector. Minimum funding requirements should be strengthened, impediments to advance funding should be eliminated, and plans should be given the ability to fund aggressively when financially able to do so. For example, should sponsors continue to be restricted in funding on a tax deductible basis for expected future benefit increases; for investment losses when realized, rather than over many future years; or for anticipated shutdown benefits? The funding goal should be a sufficient cushion above projected benefit liability to accommodate fluctuations in future interest rates, investment returns, and unexpected developments.

Acknowledgment that new defined benefit plans will not be fully funded

As pension reform is pursued the nature of a defined benefit plan must be understood. When plans are first established and when benefit increases are provided for (such as those merited by increases in the cost of living or a new collective bargaining agreement) plans can be expected to have some level of unfunded liability.

No taxpayer guaranty for PBGC

PBGC should continue to be fully financed by a combination of premium payments and payments to PBGC by terminating plans. The full faith and credit of the government does not currently support PBGC and should not be added to the law. For this reason the issue of creating a level playing field between defined contribution and defined benefit plans should be addressed.

Further premium increases should be viewed as a last resort due to the potential that they could induce overfunded defined benefit plans to terminate. Primary emphasis should be placed on changes in the law to strengthen the funding of all defined benefit plans, encourage the growth and development of new defined benefit plans, and limit the exposure of PBGC to liabilities.

Enhancing information collection

The government needs information on ERISA plans available on a more timely basis. This would allow better enforcement by DOL and the Internal Revenue Service (IRS), and better planning by PBGC. I recommend that a method be developed for electronic filing of Form 5500 information to allow timely availability for analysis (this will involve the IRS). This could also be part of a major pension simplification effort and could provide a significant incentive for new defined benefit plans if the form 5500 and schedules could be filed on an interactive disk provided by the IRS. This might not make many small plan administrators and actuaries happy, but it could lead to a surge in defined benefit plan growth and continuation.

Establishing means for PBGC financial accountability

PBGC has made significant progress in the development of accounting and forecasting systems—necessary resources should be allocated to allow further development. This will allow the GAO to provide an opinion on PBGC statements and for more accurate assessment of future exposure of PBGC.

Upgrading Status of PBGC Executive Director

The position of PBGC Executive Director might benefit from being made subject to presidential appointment and Senate confirmation and be made the head of the agency (presently it is the Secretary of Labor); placing the position at that of an Assistant Secretary. Given the importance of the program this would assure candidate scrutiny—particularly regarding his or her philosophy of the agency and the pension system—by the Senate confirmation process. It is important to note that ERISA originally created both the DOL and PBGC top jobs at the administrator level without Senate confirmation. The DOL position was changed and the PBGC position might benefit as well from change.

Clarifying intended use of pensions—retirement or savings?

Prior to the passage of ERISA in 1974 the law made a distinction between "pension plans" (those that provided an annuity upon retirement) and "capital accumulation plans" (those that provide a lump sum distribution prior to retirement). ERISA defined both as pensions. Changes in the law through 1985 moved the law and the pension system in the direction of capital accumulation. The Tax Reform Act of 1986 began a series of changes ending with the Unemployment Compensation Amendments of 1992 that made funds less available prior to retirement age. More thought is needed in this area in order for the law to be "rationalized" and for employers and individuals to know what the government intends. A decision to require rollovers and preservation, for example, might serve to encourage defined benefit plans.

Deteriorating plan funding by troubled sponsors

Measures should be considered to prevent financially troubled sponsors from defunding their plans. PBGC has found that plan funding tends to deteriorate as plans approach termination. Such defunding can occur through foregoing required contributions, encouraging early retirement, offering pension increases in lieu of pay increases, changing actuarial assumptions, or paying large lump-sum distributions on an accelerated basis. PBGC could also be more aggressive in enforcement of recovery options.

Pensions, PBGC, Infrastructure Investing, And Pension Fund Investing

Recently, proposals have been put forward to use pension funds as a potential source for infrastructure investment capital, but only on a voluntary basis with investments that allow plan sponsors to meet their fiduciary responsibilities and to create a taxable infrastructure security, backed by a federal government guarantee, for qualified retirement plans and individual retirement accounts. In addition, the imposition of an excise tax on pension trust fund assets as a funding or deficit reduction strategy has been raised in various quarters. Any such policies should be scrutinized in terms of their ultimate impact on the funding status of the defined benefit system and thus their impact on potential PBGC liabilities. If defined benefit pension plans are taxed, it should be to benefit PBGC, and thus, benefit security.

Conclusion

There are currently sufficient liquid assets within the aggregate defined benefit system itself to cover the existing pockets of underfunding within individual plans. As shown in table 2, PBGC's current exposure represents a significant improvement for the agency; it currently stands at 53 percent of the average over 1978-1986. Therefore, unless legislative changes are made that cause employers to terminate well-funded defined benefit plans en-masse, thus denying PBGC a base of premium payers, a general taxpayer bailout should never be necessary.

This does not mean that PBGC does not have problems or that changes are not needed. Changes may be needed in order to reduce abuse and maintain participants' retirement security. As currently structured, the pension insurance system creates a financial incentive for employers to underfund their defined benefit plans. The vast majority of sponsors maintain well-funded plans despite this incentive, but some do not. Without changes, underfunding within the defined benefit system is likely to slowly improve if historical trends continue. Were more firms to begin taking advantage of the system, the financial picture could deteriorate.

It must be realized that general taxpayer interests lie as well in policymakers giving attention to the long-term tax consequences of public pension and retiree medical benefit promises that have not been advance funded. Private defined benefit plans that are insured by PBGC are at least $400 billion overfunded in the aggregate. PBGC has been the focus of attention during the past two years because of a present deficit of $2.5 billion and a potential shortfall of $30 billion–$40 billion in today's dollars over the next 30 years. This situation has been compared to the savings and loan crisis by some, yet during fiscal 1991 alone, combined unfunded liabilities of civilian and military pension plans increased by $52 billion. Actuarial deficiencies of federal retirement annuity programs consist of $864 billion in the Civil Service Retirement and Disability Fund and $702 billion in the Military Retirement System that future taxpayers will have to pay.

When considering any retirement income policy proposal, its potential effect on PBGC should be considered. For example, legislation, like the Omnibus Reconciliation Act of 1987, which limited the ability of well-funded plans to receive further deductible contributions, served to reduce the "PBGC safety net." In addition, the Revenue Act of 1978, which created 401(k) plans and allowed tax deductible employee contributions to profit-sharing and stock-bonus defined contribution plans but not to defined benefit plans, may well have indirectly harmed PBGC. The National Energy Efficiency Act, which was signed into law last October, includes a provision that directs the United Mine Workers pension fund to reallocate $210 million to pay retiree medical benefits and has the potential to create significant new liabilities for employers who had previously employed mine workers. This policy has a direct impact on the affected employers and their ability to fund their own pension plans, and could therefore ultimately harm PBGC. Finally, proposals to place an excise tax on pension trust fund assets or use pension funds for infrastructure investment could also have significant adverse implications for the future financial well being of PBGC.

Clearly, if we are concerned about insuring the fiscal viability of pension plans and PBGC, we should carefully think through the potential implications of all policy proposals related to pensions and retiree health benefit plans. We should guard public trust, and we should continue to take actions that assure that promises made are promises kept.

Table 1
Financial Assets of Private and Government Pension Funds, 1982–1991

Year	Single Employer Defined benefit	Single Employer Defined contribution	Multi-employer	Private Insured	Federal Government Retirement	State and Local Government	Total
	($ billions)						
1983	526	286	79	252	112	311	1,566
1984	535	322	81	291	130	357	1,716
1985	643	392	121	347	149	405	2,057
1986	739	447	143	410	170	469	2,378
1987	770	471	148	459	188	517	2,553
1988	857	522	170	516	208	606	2,879
1989	1010	623	200	572	229	735	3,369
1990	965	584	194	636	251	752	3,382
1991	1,208	780	238	678	276	877	4,057
	(percentage of total pension assets)						
1983	34.0%	18.1%	5.5%	15.8%	7.0%	19.5%	100.0%
1984	31.7	19.0	5.5	16.4	7.3	20.1	100.0
1985	31.7	18.9	6.2	16.7	7.2	19.4	100.0
1986	31.1	18.8	6.0	17.3	7.2	19.8	100.0
1987	29.4	18.7	5.8	18.2	7.5	20.5	100.0
1988	28.9	17.9	5.8	18.4	7.4	21.6	100.0
1989	29.0	17.9	5.6	17.7	7.1	22.7	100.0
1990	27.8	16.9	5.3	19.4	7.6	22.9	100.0
1991	29.1	18.1	5.3	16.9	7.3	23.2	100.0

Source: Employee Benefit Research Institute, *Quarterly Pension Investment Report*, second quarter 1992 (Washington, DC: Employee Benefit Research Institute, 1992); Board of Governors of the Federal Reserve System, *Flow of Funds Accounts: Assets and Liabilities Outstanding First Quarter 1992* (Washington, DC: Board of Governors of the Federal Reserve System, June 1992).

Table 2
Total Retirement Benefit Payments

Retirement Benefit Payments from Private and Public Sources, Selected Years 1970–1990

Source of Benefit[a]	1970	1975	1980	1985	1986	1987	1988	1989	1990
					($ billions)				
Private Pensions	$7.4	$15.9	$36.4	$97.7	$120.2	$120.8	$124.1	$133.6	$141.2
Federal Employee Retirement[b]	6.2	14.5	28.0	41.1	42.2	44.9	48.1	50.6	53.9
State and Local Employee Retirement	4.0	8.2	15.1	25.5	28.4	31.2	34.1	36.6	39.2
Subtotal	17.6	38.6	79.5	164.3	190.8	196.9	206.3	220.8	234.3
Social Security Old-Age and Survivors Insurance Benefit Payments[c]	$28.8	$58.5	$105.1	$167.2	$176.8	$183.6	$195.5	$208.0	$223.0
Total	$46.4	$97.1	$184.6	$331.5	$367.6	$380.5	$401.8	$428.8	$457.3
					(percentage of total)				
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private Pensions	16.0	16.4	19.7	29.5	32.7	31.8	30.9	31.2	30.9
Federal Employee Retirement[b]	13.4	14.9	15.2	12.4	11.5	11.8	12.0	11.8	11.8
State and Local Employee Retirement	8.6	8.4	8.2	7.7	7.7	8.2	8.5	8.5	8.6
Subtotal	37.9	39.8	43.1	49.6	51.9	51.8	51.3	51.5	51.2
Social Security Old-Age and Survivors Insurance Benefit Payments[c]	62.1	60.3	56.9	50.4	48.1	48.3	48.7	48.5	48.8

Source: Employee Benefit Research Institute tabulations based on U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business, January 1992* (Washington, DC: U.S. Government Printing Office, 1992); *The National Income and Products Accounts of the United States: Statistical Supplement, 1959–1988*, Vol. 2 (Washington, DC: U.S. Government Printing Office, 1992); and U.S. Department of Health and Human Services, Social Security Administration, *1991 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (Baltimore, MD: Social Security Administration, 1991).

[a]Includes only employment-based retirement benefits.

[b]Includes civilian and military employees.

[c]Includes payments to retired workers and their wives, husbands, and children.

Table 3
Employment, Pension Coverage, and Pension Plan Participation of the Civilian, Nonagricultural Wage and Salary Work Force, 1989–1991, and Characteristics of Plan Participants, 1991

	Employment (millions)			Employer Sponsors Plan[a] (percentage)			Employee Included in Plan[b] (percentage)			Characteristics of Employees Included in Plans—1991	
	1989	1990	1991	1989	1990	1991	1989	1990	1991	(millions)	(percentage)
All Workers	119.1	119.3	119.8	54.2%	55.3%	55.6%	42.7%	42.9%	43.4%	52.0	100.0%
Sector[c]											
Private	103.9	104.5	105.4	54.6	55.6	55.7	43.2	43.4	43.7	46.0	88.6
manufacturing	21.5	21.2	20.6	66.2	66.9	66.2	56.1	56.7	56.1	34.5	66.4
nonmanufacturing	82.4	83.3	84.8	51.5	52.7	53.2	39.8	40.0	40.7	11.6	22.2
Public	5.7	5.6	5.6	88.4	88.8	90.5	82.1	80.7	83.4	4.7	9.0
Other	9.5	9.2	8.8	29.8	32.2	32.4	14.0	4.5	14.3	1.3	2.4
Firm Size											
Fewer than 25 workers	28.2	28.7	28.5	18.5	18.6	19.2	13.6	13.6	14.3	4.1	7.9
25–99 workers	16.9	16.5	16.7	38.3	41.2	40.5	29.4	31.2	30.7	5.1	9.9
100–499 workers	18.1	18.3	18.3	57.8	59.5	59.6	45.8	45.6	45.9	8.4	16.1
500–999 workers	7.3	7.0	7.2	69.9	70.9	70.8	54.8	54.6	55.7	4.0	7.7
1,000 or more workers	48.6	48.7	49.1	76.7	78.0	78.1	61.3	61.5	61.8	30.3	58.4
Hours Worked											
Part time[d]	25.0	25.1	25.7	30.5	32.4	32.4	11.7	12.5	12.3	3.2	6.1
Full time[e]	94.0	94.2	94.1	60.5	61.4	61.9	50.9	51.0	51.8	48.8	93.9
Age											
Under 25 years	23.4	22.6	21.7	32.1	33.0	33.4	12.8	12.4	12.5	2.7	5.2
25–44 years	62.5	63.1	63.6	58.7	60.0	59.2	47.9	48.2	47.6	30.3	58.2
45–64 years	29.4	29.8	30.9	63.8	64.0	65.5	57.3	56.7	58.3	18.0	34.7
65 years and over	3.7	3.8	3.6	42.4	43.4	42.3	28.4	27.9	26.6	0.9	1.8
Annual Earnings											
Less than $10,000	38.2	36.8	36.1	27.9	29.1	28.9	10.7	10.3	10.1	3.6	7.0
$10,000–$24,999	43.2	43.0	42.1	57.2	56.9	55.9	45.6	44.2	43.1	18.1	34.9
$25,000–$49,999	30.1	31.2	32.4	77.5	78.0	78.1	71.6	71.2	71.8	23.3	44.8
$50,000 and over	7.6	8.3	9.2	77.1	78.3	80.1	73.1	74.0	75.6	6.9	13.3
Gender											
Men	62.1	62.1	62.3	56.1	57.2	57.1	44.6	46.9	46.8	29.1	56.1
Women	56.9	57.2	57.5	52.1	53.3	54.0	38.5	38.6	39.7	22.8	43.9

Source: Employee Benefit Research Institute tabulations of the March 1990, March 1991, and March 1992 Current Population Survey.
[a]Employees reporting that their employer had a pension plan or a retirement plan for any of its employees at any job they held in 1989, 1990, and 1991.
[b]Employees reporting that they participated in a pension plan or a retirement plan at any job they held in 1989, 1990, and 1991.
[c]Refers to longest job held during the year.
[d]Employees reporting that they usually worked fewer than 35 hours per week at this job.
[e]Employees reporting that they usually worked 35 or more hours per week at this job.
Note: Numbers and percentages may not add to totals due to rounding.

Table 4
Surveyed Firms' Funded Ratios, by Percentage of All Surveyed Pension Plans, 1981–1991

Ratio of Accrued Benefits over Assets	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
0.00–0.49	17%	8%	6%	4%	3%	2%	3%	2%	3%	2%	1%
0.50–0.74	17	13	13	8	6	5	3	4	4	2	4
0.75–0.99	21	24	17	15	13	14	10	11	11	11	10
1.00–1.24	23	26	25	20	21	17	16	16	18	20	25
1.25–1.49	11	12	18	21	19	21	20	20	19	20	22
1.50 or more	11	17	21	32	38	41	48	47	45	45	38
Number of Plans	575	813	700	919	846	799	720	786	787	781	801

Source: The Wyatt Company, *Survey of Actuarial Assumptions and Funding: Detailed Survey Results Pension Plans with 1,000 or More Active Participants*, 1989, 1990, and 1991 (Washington, DC: The Wyatt Company, 1989, 1990, and 1991).
Note: Data from The Wyatt Company are based on a survey of pension plans covering 1,000 or more active employees. The 1990 survey contained single-employer plans (90 percent) and multiemployer plans (10 percent).

Table 5
Funding Ratios of Single-Employer Defined Benefit Plans, 1977–1987

Year	Funding Ratio
1977	85.0%
1978	84.2
1979	91.0
1980	107.0
1981	106.9
1982	115.4
1983	124.7
1984	128.8
1985	136.3
1986	132.4
1987	128.6

Source: U.S. Department of Labor, Pension and Welfare Benefits Administration, *Trends in Pensions*, John A. Turner and Daniel J. Beller, eds. (Washington, DC: U.S. Department of Labor, 1989).

Table 6

Pension Benefit Guaranty Corporation Single-Employer Insurance Activity, 1982–1991

Year	Benefits Paid ($ Millions)	Participants Receiving Benefits	Plans Trusteed and Pending Trusteeship
1991	$ 514	140,000	1644
1990	369	110,380	1,558
1989	353	106,770	1,501
1988	357	110,300	1,455
1987	300	109,700	1,376
1986	261	90,750	1,315
1985	170	74,800	1,191
1984	169	64,700	1,118
1983	137	55,400	1,021
1982	94	50,900	904

Source: Pension Benefit Guaranty Corporation, *Pension Benefit Guaranty Corporation Annual Report*, 1975–1991 (Washington, DC: Pension Benefit Guaranty Corporation, 19761992); and U.S. Department of Labor, Pension and Welfare Benefits Administration, *Trends in Pensions 1992,* John A. Turner and Daniel J. Beller, eds. (Washington, DC: U.S. Department of Labor, 1992).

[a]Includes single-employer plans, plans of controlled groups of corporations and multiple-employer noncollectively bargained plans.

Table 7

Pension Benefit Guaranty Corporation Financial Figures, 1975–1991

($ millions)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Premium Income	$19	$30	$25	$47	$70	$71	$75	$80	$81	$81	$82	$216	$284	$482	$624	$681	$764
Benefit Payments	2	10	13	28	32	37	57	94	137	169	170	261	303	325	356	372	516
Cash Flow (Premiums Less Benefits)	17	20	12	19	38	34	18	-14	-56	-88	-88	-45	-19	157	268	309	248
Accumulated Deficit	n/a	n/a	95	138	146	95	188	333	523	462	1,299	4,000	1,480	1,451	1,000	1,913	2,510
Single-Employer Defined Benefit Assets[a]	164	190	205	240	280	354	389	484	566	609	716	772	751	772	n/a	n/a	n/a

Source: Pension Benefit Guaranty Corporation, *Pension Benefit Guaranty Corporation Annual Report*, 1975–1991 (Washington, DC: Pension Benefit Guaranty Corporation, 19761992); and U.S. Department of Labor, Pension and Welfare Benefits Administration, *Trends in Pensions 1992*, John A. Turner and Daniel J. Beller, eds. (Washington, DC: U.S. Department of Labor, 1992).

[a]Includes single-employer plans, plans of controlled groups of corporations and multiple-employer noncollectively bargained plans.

Table 8
Exposure Levels Facing Pension Benefit Guaranty Corporation's Single-Employer Program, 1978–1991
(billions of 1991 dollars)

	Exposure
1978	145
1979	157
1980	91
1981	52
1982	49
1983	44
1984	32
1985	40
1986	61
Average	75
1990	32[a]
1991	40

Source: Employee Benefit Research Institute tabulations based on data from Richard A. Ippolito, The *Economics of Pension Insurance* (Pension Research Council, Wharton School, University of Pennsylvania, 1989); Pension Benefit Guaranty Corporation, "Pension Underfunding Increased" Press release, 15 December 1992; and Pension Benefit Guaranty Corporation, *Annual Report to the Congress, Fiscal Year 1991* (Washington, DC: Pension Benefit Guaranty Corporation, 1992).

[a]Figures are adjusted to 1991 price levels using the Consumer Price Index for All Urban Consumers (CPI-U).