

EBRI Policy Forum

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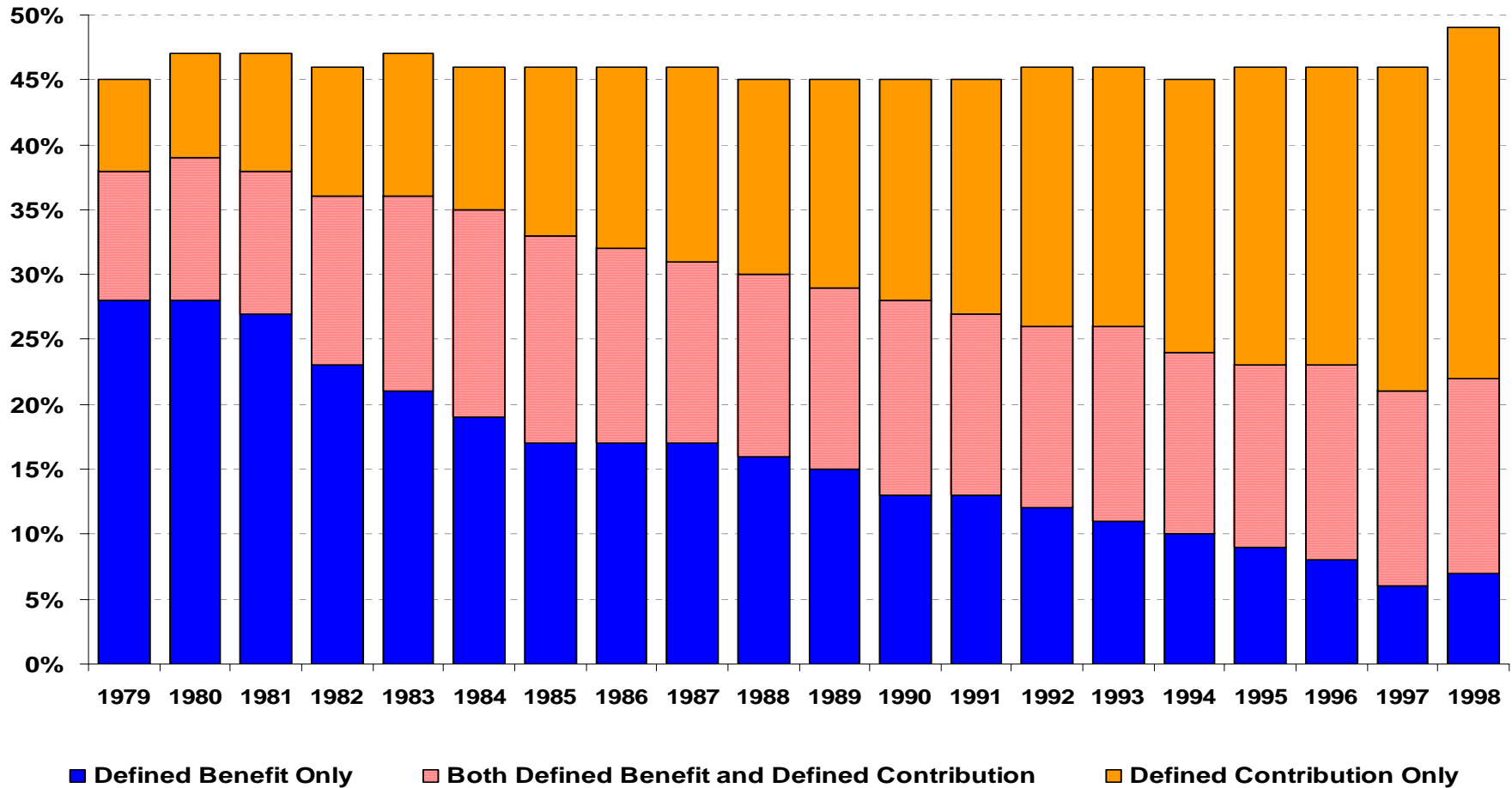
Pension Benefit Guaranty Corporation

Disclaimer Statement

As the former Executive Director of the Pension Benefit Guaranty Corporation (PBGC), the views expressed during this presentation are my own and do not necessarily represent the views of the PBGC or the Administration.

Pension Participation Rates 1979 - 1998

Percent of
Private Wage & Salary
Workers

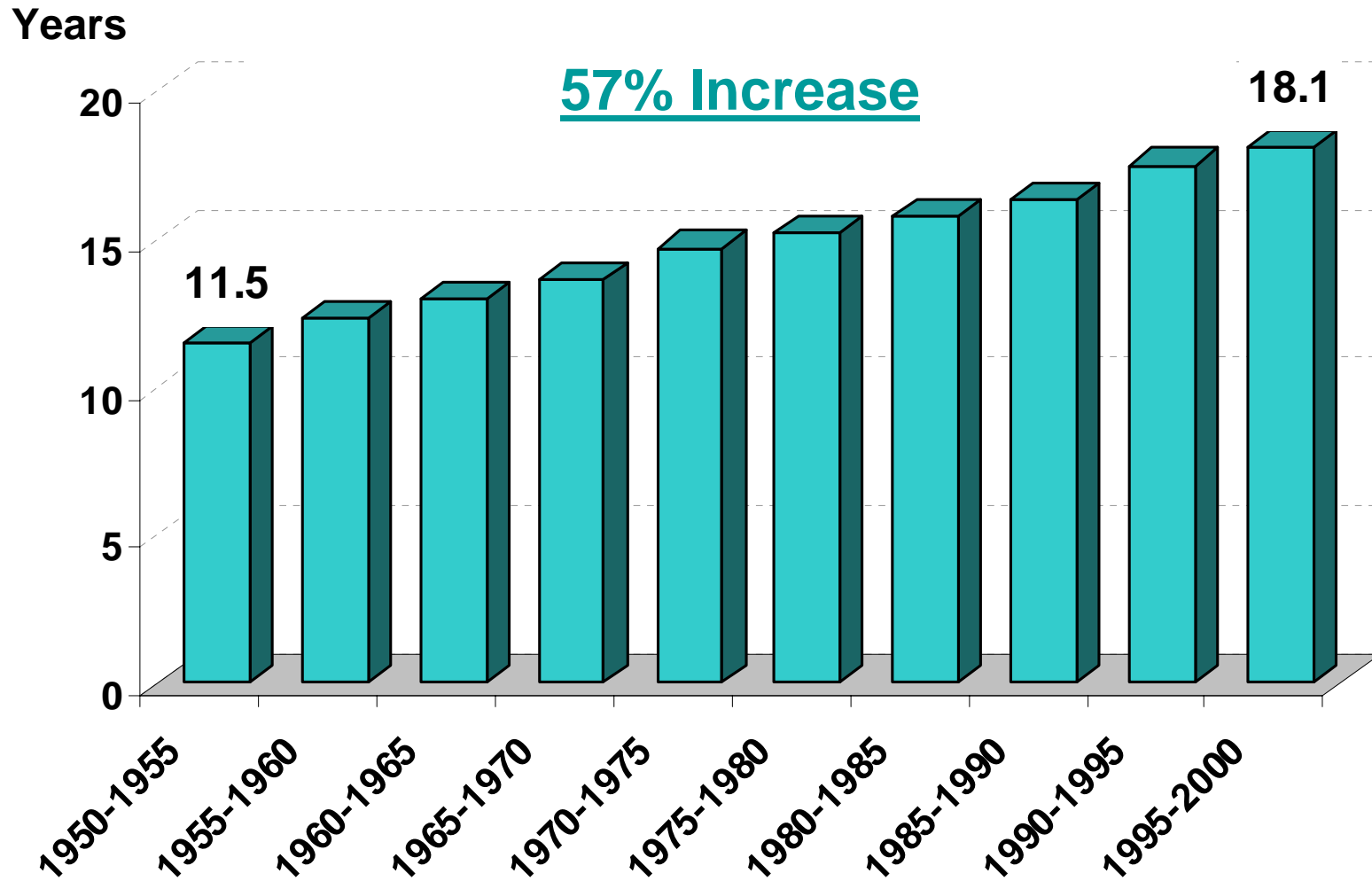


Source: U.S. Department of Labor

Pension and Welfare Benefits Administration

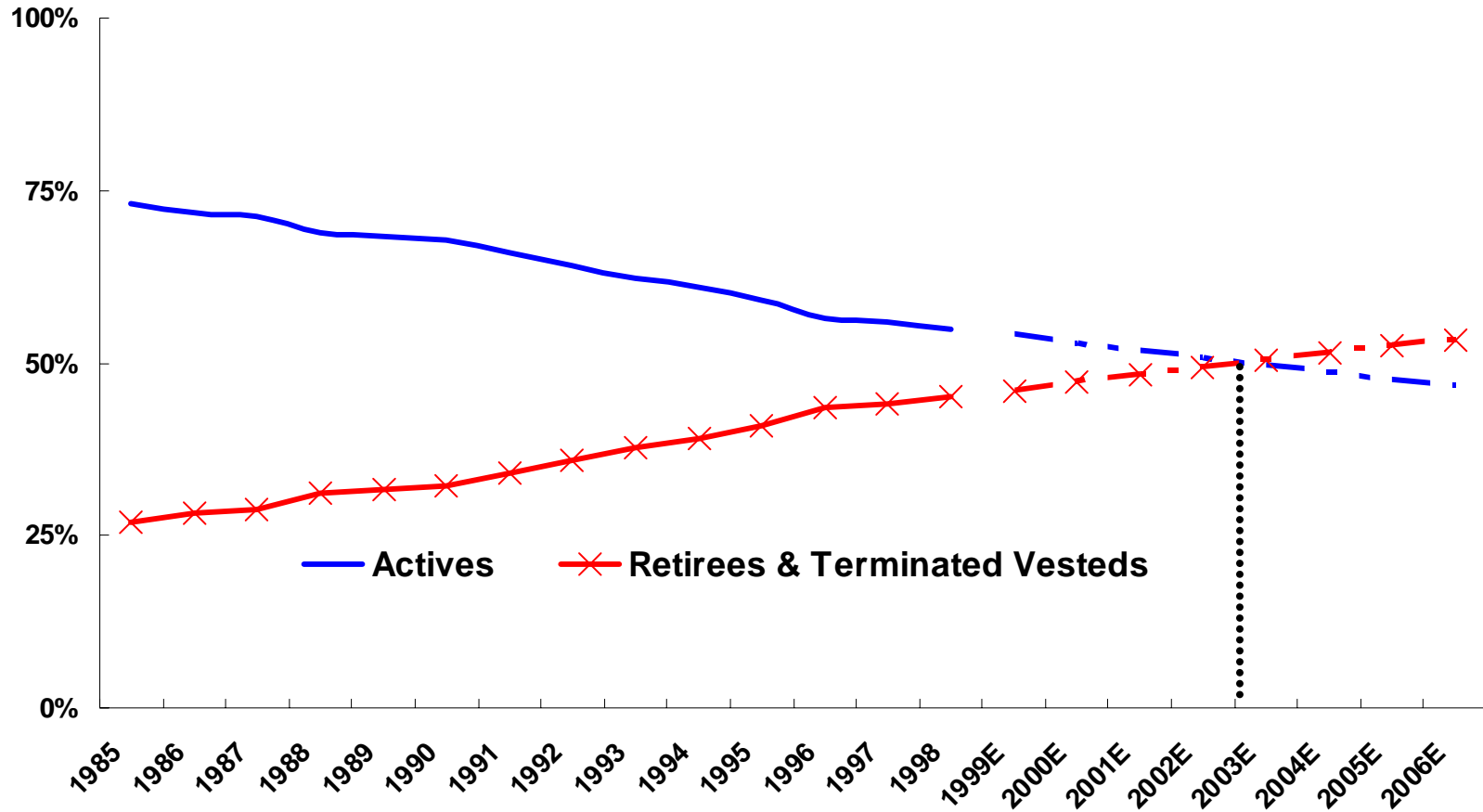
Abstract of 1998 Form 5500 Annual Reports Winter 2001 - 2002

Average Number of Years Spent in Retirement (Males)



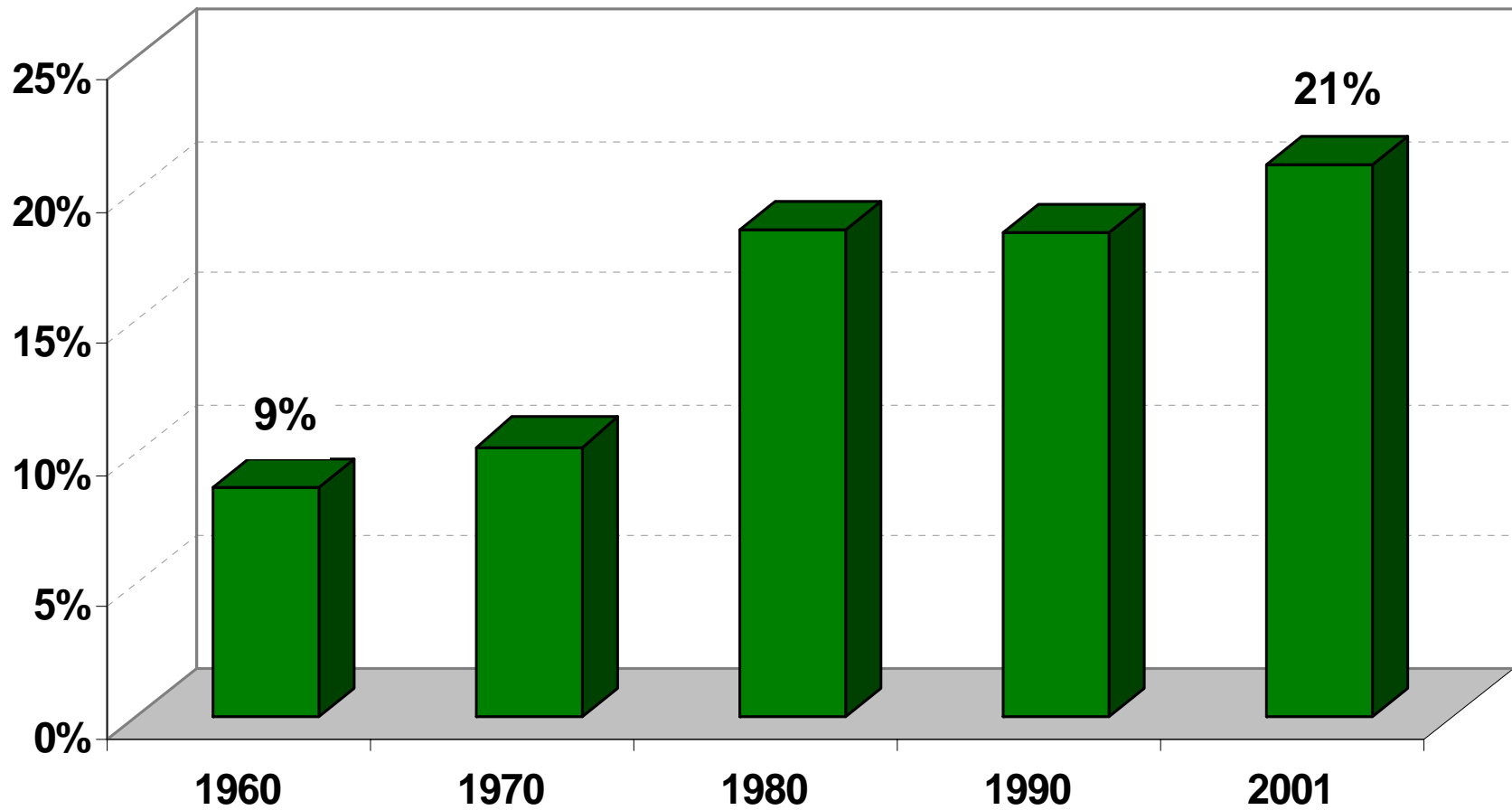
Participants in Defined Benefit Pension Plans

[1985 - 2006^{est.}]



Source: U.S. Department of Labor
 Pension and Welfare Benefits Administration
 Abstract of 1998 Form 5500 Annual Reports Winter 2001 - 2002

Trade as a Percentage of GDP*



*Calculated as $[\text{Exports} + \text{Imports}] / [\text{GDP} + \text{Imports}]$

Source: Bureau of Economic Analysis Income and Product Accounts

Individuals

- **Loss of predictable pension benefit**
- **Need for investment knowledge**
- **New “default” mechanisms for DC plans would help**
- **Improve individual annuity market**

Employment

- **In theory, could be neutral ...**
- **In practice, continued employment shift from firms with DB plans to firms with DC plans ...**
 - **DC system provides greater financial flexibility**
 - **Growth companies and new businesses have gravitated to DC world**

Policy Implications

- **Companies that can exit the DB system will do so**
 - Reduced premium base for PBGC
- **Those who cannot exit (Collective Bargaining Agreements or highly underfunded) tend to be mature/declining industries**
 - Adverse selection issue
 - Could lead to eventual taxpayer bailout
- **Resulting pressure on Social Security depends on adequacy of DC plans and personal savings**