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

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)

 Years


11.5 18.1

57% Increase
Participants in Defined Benefit Pension Plans
[1985 - 2006\textsuperscript{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