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Statement

Before the

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Committee on Ways and Means
U.S. House of Representatives

Hearing on

The Retirement Income Security of the Baby Boom Generation

by

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STATEMENT OF PAUL YAKOBOSKI
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SUMMARY

- Projecting retirement income levels and their adequacy for today's workers is a complicated task. The number of workers covered, participating, and vested in employment-based pension plans is at an historic high. In addition, today's workers have more tools at their disposal to save for retirement on a tax-preferred basis than at any time in the past. Many individuals are not taking advantage of these opportunities. Some inevitably will save more as they age, but others may face a financial problem when they retire. On the other hand, there is uncertainty surrounding future Social Security benefit levels and taxes, and also regarding Medicare and retiree health care coverage. Such issues, combined with uncertainty regarding worker behavior in such areas as lump-sum distribution preservation, serve to make the modeling of future income levels difficult.

- Pension coverage rates and participation rates rose between 1987 and 1991 after falling between 1984 and 1987. Vesting rates rose over the entire time period. The pension coverage rate went from 67.1 percent in 1984 down to 66.4 percent in 1987 and then rose to 67.6 percent in 1991. The participation rate went from 55.1 percent to 52.7 percent to 53.1 percent. In 1984, 52.7 million workers were covered by an employment-based plan, compared with 55.7 million in 1987 and 61.4 million workers in 1991. The number of workers participating rose from 43.3 million in 1984 to 44.3 million in 1987 to 48.2 million in 1991. The percentage of workers vested in a pension plan rose from 45.1 percent (35.5 million workers) to 47.4 percent (43.1 million) between 1984 and 1991 (table 1).

- While the number of primary defined benefit plans decreased during the 1980s, more than 75 percent of these plans were very small (two to nine active participants), and thus relatively few workers were affected (table 2).

- Between 1985 and 1989, the number of large defined benefit plans remained stable, and the number of very large plans, those with 10,000 or more active participants, increased slightly (table 2).

- The number of primary defined contribution plans increased for all plan sizes, but particularly for plans with fewer than 250 participants (table 3).

- While the net number of private defined benefit plans has declined and the net number of defined contribution plans has increased dramatically, there is little evidence that a shift from defined benefit to defined contribution plans has occurred.

- Trends in defined contribution and defined benefit plans have been driven by the changing environment in which employers design retirement plans. Whether intentionally or unintentionally, the government has profoundly influenced the relative attractiveness of defined benefit and defined contribution plans over time.

- Total private and public pension assets reached $4.4 trillion in 1992 (table 5) and thus represent a significant store of wealth to fund living expenses in retirement.

- Where worker choice is involved, individuals tend to prefer conservative investments. According to a recent survey by the Employee Benefit Research Institute (EBRI) and the Gallup Organization, 69 percent of individuals preferred low-risk, low-return investments for their pension money, while only 25 percent preferred high-risk, high-return investments.

- Investment allocation is a mute issue if workers do not preserve preretirement lump-sum distributions from their plans. According to tabulations by the Internal Revenue Service (IRS) and EBRI, lump-sum total distributions from retirement programs reached $125.8 billion in 1990 (table 7). Twenty-nine percent of those who received lump-sum distributions in 1990 rolled over at least part of the distribution into an individual retirement account (IRA) (a total of 3.1 million IRA rollovers) and 57 percent of the amount distributed (a total of $71.4 billion) was rolled over into IRAs (table 8).

STATEMENT OF PAUL YAKOBOSKI
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EMPLOYEE BENEFIT RESEARCH INSTITUTE
BEFORE THE SUBCOMMITTEE ON SOCIAL SECURITY
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
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I am pleased to appear before you this morning to discuss the retirement income security of the baby boom generation. My name is Paul Yakoboski. I am a research associate at the Employee Benefit Research Institute (EBRI), a nonprofit, nonpartisan, public policy research organization based in Washington, DC. I am accompanied by Celia Silverman, a research analyst at EBRI.

EBRI has been committed, since its founding in 1978, 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.

Much attention has recently been focused upon the retirement prospects of the baby boom generation, specifically concerning whether they are adequately preparing financially for their retirement. This testimony examines the environment in which current workers prepare for retirement by highlighting trends in employment-based pension coverage, participation, and vesting; exploring trends in defined benefit and defined contribution plans by plan size; discussing worker preservation of lump-sum distributions; and examining the use of other retirement savings vehicles available to workers today.

Employment-based retirement plans present a significant opportunity for tens of millions of workers to accumulate assets for retirement. While the drop in pension coverage rates and participation rates over the mid and latter 1980s has been well documented, it should also be noted that the number of workers covered and participating in an employment-based pension plan continued to rise over this period. In addition, recent data indicate that the downward trends in coverage and participation rates may be reversing. Vesting rates have continued to rise.

- Pension coverage rates, participation rates, and vesting rates all rose between 1987 and 1991. According to Bureau of the Census tabulations of the Survey in Income and Program Participation (SIPP), the pension coverage rate[1] went from 67.1 percent in 1984 down to 66.4 percent in 1987 and then rose to 67.6 percent in 1991. The participation rate[2] went from 55.1 percent to 52.7 percent to 53.1 percent. In 1984, 52.7 million workers were covered by an employment-based plan, compared with 55.7 million in 1987 and 61.4 million workers in 1991. The number of workers participating rose from 43.3 million in 1984 to 44.3 million in 1987 to 48.2 million in 1991. The percentage of workers vested[3] in a pension plan rose from 45.1 percent (35.5 million workers) to 47.4 percent (43.1 million) between 1984 and 1991 (table 1). There are gaps in coverage and participation, especially notable among the young and those working for small employers. There is some evidence that as workers age, their participation in pension plans tends to increase.[4]

While the net number of private defined benefit plans has declined and the net number of defined contribution plans has increased dramatically, there is little evidence that the growth in defined contribution plans has been at the expense of defined benefit plans. Between 1985 and 1989, the number of small and mid-sized defined benefit plans declined, while the number of defined contribution plans of all sizes increased. The number of very large defined benefit plans, those with 2,500 active participants or more, has remained stable.

- While the number of primary defined benefit plans decreased over the 1980s, more than 75 percent of these plans were very small (two to nine active participants), and thus relatively few

[1]Workers were asked if their employer or union had a retirement plan for any of its employees. A worker who answered yes was counted as covered by an employment-based plan.

[2]Covered workers were asked if they were included in the retirement plan. Workers who answered yes were counted as participating in an employment-based plan.

[3]Respondents reporting that they were plan participants were asked if they could eventually receive some benefits from this plan upon reaching retirement age if they were to leave the present employer now or in the next few months. They were also asked if their retirement benefits from this plan could be received in a lump-sum payment. If they answer yes to either question, they were counted as vested.

[4]See Sylvester J. Schieber and Gordon P. Goodfellow, "Pension Coverage in America: A Glass Two-Thirds Full or One-Third Empty?" presented at U.S. Department of Labor Conference "Pension Coverage: Where are We Going?", April 16, 1993.

workers were affected. The number of primary defined benefit plans decreased by 36,823 plans between 1985 and 1989, with 28,158 of these plans having two to nine active participants (table 2).

- Between 1985 and 1989, the number of large defined benefit plans remained stable, and the number of very large plans, those with 10,000 or more active participants, increased slightly. During this period, the number of plans with 10,000 to 19,999 active participants increased 7.6 percent and the number of plans with 20,000 or more participants increased 1.7 percent. The number of primary defined benefit plans with 1,000 to 2,499 active participants decreased 5.9 percent, while the number of plans with 2,500 to 9,999 participants remained relatively constant (table 2).

- The number of primary defined contribution plans increased for all plan sizes, but particularly for plans with fewer than 250 participants. The number of primary defined contribution plans increased by 233,271 plans, with 58 percent of the total increase (135,058 plans) in plans with two to nine active participants, and 88 percent of the total increase was in plans with fewer than 250 active participants. The number of primary defined contribution plans with 250 to 2,499 participants increased by 1,901 plans, and the number of plans with 2,500 or more participants increased by 88 plans (table 3).

- There is little evidence that a "shift" from defined benefit to defined contribution plans has occurred. The net increase in primary defined contribution plans between 1985 and 1989 was 196,448 plans greater than the net decrease in primary defined benefit plans across all plan sizes (chart 1). While the number of small and mid-sized defined benefit plans has decreased, large plans remain stable and very large plans increased slightly. This indicates that the growth in defined contribution plans resulted from more than plan sponsors terminating defined benefit plans and replacing them with defined contribution plans.

- Much of the growth in defined contribution plans has been through 401(k) plans. It is possible, given the unique advantages of 401(k) plans and their rapid growth, that the creation of 401(k) plans caused employers that otherwise would not have sponsored any pension plan to establish a 401(k) plan. The number of 401(k) plans rose from 17,303 in 1984 to 83,301 in 1989, and the number of active participants in these plans grew from 7.5 million to 17.3 million over the same time period (table 4).

- Many 401(k) plan participants also participate in a primary defined benefit plan. According to EBRI tabulations of the Survey of Income and Program Participation, 56 percent of participants in 401(k) plans also participate in a defined benefit plan.

- Trends in defined contribution and defined benefit plans have been driven by the changing environment in which employers design retirement plans. Whether intentionally or unintentionally, the government has profoundly influenced the relative attractiveness of defined benefit and defined contribution plans over time. The introduction of Section 401(k) in the Revenue Act of 1978 and the release of proposed regulations in November 1981 arguably increased the popularity of defined contribution plans by allowing participants in profit-sharing plans, savings plans, and employee stock owenership plans, but not defined benefit plans, to make elective pre-tax contributions. The Tax Reform Act of 1986 and the Omnibus Budget Reconciliation Act of 1987 included provisions that likely made defined benefit plans less attractive than defined contribution plans to many employers.

- Total private and public pension assets reached $4.4 trillion in 1992 and thus represent a significant store of wealth to fund living expenses in retirement. Defined benefit and defined contribution assets, including public and private pension plans, increased over 180 percent between 1983 and 1992. Private trusteed pension assets grew from $892 billion in 1983 to $2.4 trillion by the end of 1992. Private single-employer defined contribution funds held $286 billion at year-end 1983, increasing to $891 billion at the end of 1992. Single-employer defined benefit plan assets increased from $526 billion in 1983 to $1.3 trillion as of year-end 1992. Multiemployer plan assets increased from $79 billion in 1983 to $260 billion by year-end 1992. Private insured pension fund assets grew at an average annual rate of 13 percent from 1983 to 1991, increasing from $252 billion to $678 billion. Federal government retirement assets grew at an average annual rate of 12 percent, increasing from $112 billion in 1983 to $304 billion in 1992. State and local pension fund assets grew at an annual rate of 14 percent from 1983 to 1992, increasing from $311 billion to $988 billion (table 5).

How well defined contribution plans perform as retirement income producing vehicles will depend upon participant behavior, specifically worker decisions regarding participation, investment allocation, and lump-sum distribution preservation.

- Participation in 401(k) plans increased between 1983 and 1988. Of the 27.5 million workers offered a 401(k) plan in 1988, 56.9 percent participated, up from 34.3 percent in 1983.

- As of year-end 1992, the aggregate asset distribution of private trusteed single-employer defined contribution plans was similar to that of single-employer defined benefit plans. Thirty-nine percent of single-employer defined benefit plan assets were directly held in equity, while 31.6 percent of defined contribution assets were directly held in equity; 18.4 percent of defined benefit assets were directly held in bonds as opposed to 14.4 percent of defined contribution assets; 7.4 percent of defined benefit assets were directly held in cash, compared with 13.1 percent of defined contribution assets; 35.1 percent of defined benefit assets were directly held in other investment vehicles, as opposed to 40.9 percent of defined contribution assets (table 6).

- Where worker choice is involved, individuals tend to prefer conservative investments. According to a recent survey by EBRI and the Gallup Organization, 69 percent of individuals preferred low-risk, low-return investments for their pension money, while only 25 percent preferred high-risk, high-return investments. Such preferences indicate a focus on principal retention as opposed to wealth accumulation. This may be the result of worker concerns regarding their economic security in times of downsizing and layoffs. Such concerns may lead workers to focus on principal retention in case the money is needed in the short term rather than focusing on wealth accumulation for retirement in the long run. To the extent that this is the case, it may prove difficult to alter workers' investment decisions.

- While sacrificing some long-term investment returns with a conservative strategy, individuals may still earn a competitive rate of return. In a particular large defined contribution plan, the annual rate of return from 1983 through the first half of 1993 on the fixed income guaranteed investment contract (GIC) fund was 9.1 percent. While approximately 6 percentage points below the return in the plan's equity fund, it was still approximately 5 percentage points above the rate of inflation over this time period, plus there was essentially no volatility in the GIC fund's rate of return. The GIC fund's rate of return had a standard deviation of 0.6 percent over this period, compared with a standard deviation of 16 percent for the equity fund. For workers concerned about principal retention, GICs may be a rational investment.

- Investment allocation is a mute issue if workers do not preserve preretirement lump-sum distributions from their plans. According to tabulations by the Internal Revenue Service (IRS) and EBRI, lump-sum total distributions from retirement programs reached $125.8 billion in 1990 (table 7). Twenty-nine percent of those who received a lump-sum distribution in 1990 rolled over at least part of the distribution into an individual retirement account (IRA) (a total of 3.1 million IRA rollovers) and 57 percent of the amount distributed (a total of $71.4 billion) was rolled over into IRAs (table 8). If recipients of distributions, in particular current workers, are spending the funds on current consumption rather than rolling them into qualified retirement savings vehicles or preserving them in some other manner, it will affect the number of individuals who will have sufficient assets to retire in the lifestyle they desire and the number who are forced to remain in the work force longer than they desire. The recently enacted 20 percent withholding on lump-sum distributions not directly transferred into a tax-qualified savings vehicle and the accompanying mandatory provision of a direct transfer option in the Unemployment Compensation Amendments of 1992 are expected to increase rollover activity and thus potentially enhance retirement income security for current workers.

Individuals have significant opportunities to save on a tax-preferred basis on their own for retirement through either employment-based plans or IRA and Keogh accounts.

- There are growing opportunities for individuals to save on their own through salary reduction arrangements, such as 401(k) plans, either as the sole plan or as a supplemental plan. As discussed above, the number of 401(k) participants more than doubled between 1984 and 1989. Assets in 401(k) plans amounted to $92 billion in 1984 and grew to $357 billion in 1989. Contributions to 401(k) plans grew from $16 billion to $46 billion over this time period (table 4).

- The federal government established the Thrift Savings Plan in 1987 for civilian employees. This plan is similar to a private-sector 401(k) arrangement in that it allows federal employees to make optional tax-deferred contributions to the plan. As of year-end 1992, assets in the thrift savings plan amounted to $16.1 billion.

- Employees of state and local government or nongovernment tax-exempt organizations can defer current compensation for retirement savings on a tax-preferred basis through Section 457 plans. A survey by the National Association of Government Deferred Compensation Administrators reported that 49 state and 52 local governments' 457 plans had assets of more than $15 billion as of year-end 1991. The same survey showed that participants contributed an average amount of $2,712 in 1991.

- Employees of certain charitable organizations, including universities, public schools, and nonprofit hospitals, can participate in 403(b) plans which, similar to 401(k) plans and 457 plans, allow employees to make pre-tax contributions. In 1991, 403(b) assets totaled $224.3 billion.[5]

- Workers without an employment-based plan (or with income below a threshold level) can save for retirement on a tax-preferred basis through an IRA. Self-employed individuals may establish Keogh plans for themselves and their employees. Between 1985 and 1992, total assets held in IRAs and Keogh plans increased from $228 billion to $773 billion.

Conclusion

Measures of retirement income security are typically based on replacement ratios, the percentage of final pay that is received in retirement income. However, determining what replacement ratio will provide an adequate level of retirement income depends on many factors, particularly individuals' needs and expectations for their lifestyle in retirement relative to that of their final working years. The fraction of preretirement income needed in retirement generally rises as pre-retirement income falls. However, it is best to first focus on real levels of consumption needed and desired in retirement, as opposed to percentage relationships of retirement income to pre-retirement income, when talking about what constitutes adequate retirement income, especially for lower income workers. When evaluating how well individuals are preparing, total wealth accumulation through all available vehicles, including individual savings as well as employment-based retirement plans, should be considered.

Projecting retirement income levels and their adequacy for today's workers is a complicated task. The number of workers covered, participating, and vested in employment-based pension plans is at an historic high. In addition, today's workers have more tools at their disposal to save for retirement on a tax-preferred basis than at any time in the past. Many individuals are not taking advantage of these opportunities. Some inevitably will save more as they age, but others may face a financial problem when they retire. On the other hand, there is uncertainty surrounding future Social Security benefit levels and taxes, and also regarding Medicare and retiree health care coverage. Such issues, combined with uncertainty regarding worker behavior in such areas as lump-sum distribution preservation, serve to make the modeling of future income levels difficult.

[5]Investment Company Institute, *A Banner Year, 1992 Perspective on Mutual Fund Activity* (Washington, DC: Investment Company Institute, 1992).

Table 1
Pension Eligibility—Wage and Salary Workers Aged 25 and Over: 1984, 1987, and 1991

Year	Workers (thousands)	Percentage of Workers Covered	Number of Workers Covered (thousands)	Percentage of Workers Participating	Number of Workers Participating (thousands)	Percentage of Workers Vested	Number of Workers Vested (thousands)
1984	78,619	67.1%	52,727	55.1%	43,290	45.1%	35,479
1987	83,962	66.4	55,738	52.7	44,297	44.8	37,604
1991	90,785	67.6	61,402	53.1	48,204	47.4	43,059

Source: Unpublished tabulations of the Survey of Income and Program Participation by the U.S. Department of Commerce, Bureau of the Census.

Table 2
Primary Defined Benefit Plan and Active Participant Trends

	Primary Plan				Active Participants (thousands)				
Active Participants	1985	1989	Net change	Percentage change	1985	1989	Percent Distribution of Participants 1989	Net change	Percentage change
2–9	88,124	59,966	–28,158	–32.0%	353	246	0.9%	–106	–30.1%
10–24	24,267	17,791	–6,476	–26.7	369	271	1.0	–98	–26.5
25–49	14,178	9,736	–4,442	–31.3	491	340	1.2	–151	–30.7
50–99	11,303	9,013	–2,290	–20.3	808	645	2.4	–163	–20.2
100–249	9,534	7,109	–2,425	–25.4	1,498	1,135	4.2	–364	–24.3
250–499	4,670	4,022	–648	–13.9	1,651	1,430	5.2	–221	–13.4
500–999	3,149	2,701	–448	–14.2	2,222	1,910	7.0	–312	–14.0
1,000–2,499	2,360	2,220	–140	–5.9	3,636	3,434	12.6	–202	–5.6
2,500–4,999	847	833	–14	–1.7	2,930	2,940	10.8	10	0.3
5,000–9,999	455	450	–5	–1.1	3,141	3,153	11.6	12	0.4
10,000–19,999	198	213	15	7.6	2,749	2,956	10.8	206	7.5
20,000 or more	175	178	3	1.7	8,985	8,792	32.3	–193	–2.1
None or none reported	10,280	18,485	8,205	79.8	-	-	-	-	-
Total	169,540	132,717	–36,823	–21.7	28,834	27,252	100.0	–1,582	–5.5

Source: Employee Benefit Research Institute tabulations of 1985 and 1989 Form 5500 annual reports filed with the Internal Revenue Service.

Table 3
Primary Defined Contribution Plan and Active Participant Trends

	Primary Plans				Active Participants (thousands)				
Active Participants	1985	1989	Net change	Percentage change	1985	1989	Percentage Distribution of Participants 1989	Net change	Percentage change
2–9	199,704	334,762	135,058	67.6%	852	1,410	8.5%	558	65.5%
10–24	70,424	107,113	36,689	52.1	1,056	1,637	9.8	581	55.0
25–49	31,406	48,351	16,945	54.0	1,091	1,680	10.1	589	54.0
50–99	17,620	29,997	12,377	70.2	1,224	2,081	12.5	857	70.0
100–249	8,878	13,334	4,456	50.2	1,331	1,991	12.0	660	49.6
250–499	2,552	3,599	1,047	41.0	868	1,239	7.4	371	42.8
500–999	1,185	1,675	490	41.4	808	1,151	6.9	343	42.4
1,000–2,499	784	1,148	364	46.4	1,194	1,709	10.3	514	43.1
2,500–4,999	219	265	46	21.0	752	907	5.4	154	20.5
5,000–9,999	97	107	10	10.3	683	726	4.4	43	6.3
10,000–19,999	34	59	25	73.5	460	788	4.7	328	71.4
20,000 or more	29	36	7	24.1	1,100	1,329	8.0	229	20.8
None or none reported	13,082	38,839	25,757	196.9	-	-	-	-	-
Total	346,014	579,285	233,271	67.4	11,420	16,647	100.0	5,227	45.8

Source: Employee Benefit Research Institute tabulations of 1985 and 1989 Form 5500 annual reports filed with the Internal Revenue Service.

Table 4

401(k) Trends

Summary of Private-Sector Qualified 401(k) Cash or Deferred Arrangement Trends, 1984–1989

	1984	1985	1986	1987	1988	1989
Plans[a]	17,303	29,869	37,420	45,054	68,121	83,301
Percentage of all private plans	3%	5%	5%	6%	9%	11%
Percentage of all private defined contribution plans	4%	6%	7%	8%	12%	14%
			(thousands)			
Active Participants[b,c]	7,540	10,339	11,559	13,131	15,451	17,337
Percentage of all active private participants	19%	26%	28%	31%	37%	d
401(k) is primary plan	d	d	d	3,419	d	d
percentage of all active private participants	d	d	d	8%	d	d
percentage of all active private primary defined contribution participants	d	d	d	25%	d	d
			($ millions)			
Assets	$91,754	$143,939	$182,784	$215,477	$276,995	$357,015
Percentage of all private assets	9%	11%	13%	15%	18%	21%
Percentage of all private defined contribution assets	27%	34%	37%	41%	46%	52%
			($ millions)			
Contributions	$16,291	$24,322	$29,226	$33,185	$39,412	$46,081
Percentage of all private contributions	18%	26%	32%	36%	43%	44%
Percentage of all private defined contribution contributions	38%	46%	50%	53%	60%	57%
			($ millions)			
Benefits	$10,617	$16,399	$22,898	$22,215	$25,235	$30,875
Percentage of all private benefits	13%	16%	18%	18%	21%	22%
Percentage of all private defined contribution benefits	33%	35%	37%	40%	42%	43%

Source: Employee Benefit Research Institute tabulations based on John A. Turner and Daniel J. Beller, eds., *Trends in Pensions,* Second edition (Washington, DC: U.S. Government Printing Office, 1992); and unpulbished Department of Labor tabulations of 1989 Form 5500 annual reports filed with the Internal Revenue Service.

[a]Excludes single-participant plans.

[b]May include some employees who are eligible to participate in the plan but have not elected to join.

[c]401(k) participants may participate in one or more additional plans.

[d]Data not available.

Table 5

Financial Assets of Private and Government Pension Funds, 1983–1992

	Single Employer						
Year	Defined benefit	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	1,218	787	240	678	276	891	4,090
1992	1,276	891	260	n/a	304	988	4,396
			(percentage of total pension assets)				
1983	33.6%	18.3%	5.0%	16.1%	7.2%	19.9%	100.0%
1984	31.2	18.8	4.7	17.0	7.6	20.8	100.0
1985	31.3	19.1	5.9	16.9	7.2	19.7	100.0
1986	31.1	18.8	6.0	17.2	7.2	19.7	100.0
1987	30.2	18.5	5.8	18.0	7.4	20.3	100.0
1988	29.8	18.1	5.9	17.9	7.2	21.1	100.0
1989	30.0	18.5	5.9	17.0	6.8	21.8	100.0
1990	28.5	17.3	5.7	18.8	7.4	22.2	100.0
1991	29.8	19.2	5.9	16.6	6.7	21.8	100.0
1992	29.0	20.3	5.9	n/a	6.9	22.5	100.0

Source: Employee Benefit Research Institute, *Quarterly Pension Investment Report,* first quarter 1993 (Washington, DC: Employee Benefit Research Institute, 1993); Board of Governors of the Federal Reserve System, *Flow of Funds Accounts: Assets and Liabilities Outstanding First Quarter 1993* (Washington, DC: Board of Governors of the Federal Reserve System, 1993).

Table 6

Asset Allocation of Private Trusteed Single-Employer Pension Plans by Plan Type

Year	Defined Benefit Plans					Defined Contribution Plans				
	Equity	Bonds	Cash items	Other assets	Total assets	Equity	Bonds	Cash items	Other assets	Total assets
					($ billions)					
1983	$212	$124	$40	$151	$526	$89	$63	$41	$94	$286
1984	202	136	46	150	535	101	70	46	105	322
1985	248	159	56	181	643	126	72	54	140	392
1986	293	178	60	208	739	148	79	60	159	447
1987	289	171	63	247	770	157	78	63	173	471
1988	323	176	72	286	857	168	80	75	199	522
1989	394	195	81	340	1,010	201	92	87	244	623
1990	362	202	76	325	965	173	96	83	231	584
1991	477	230	90	411	1,208	239	117	108	316	780
1992	498	233	95	446	1,271	281	128	116	363	888
					(percentage distribution)					
1983	40.2%	23.5%	7.6%	28.7%	100.0%	31.0%	22.1%	14.2%	32.7%	100.0%
1984	37.8	25.5	8.7	28.1	100.0	31.3	21.9	14.3	32.5	100.0
1985	38.5	24.8	8.7	28.1	100.0	32.2	18.3	13.7	35.8	100.0
1986	39.6	24.1	8.1	28.2	100.0	33.1	17.7	13.5	35.7	100.0
1987	37.6	22.2	8.2	32.0	100.0	33.3	16.6	13.3	36.8	100.0
1988	37.7	20.5	8.4	33.4	100.0	32.2	15.2	14.4	38.1	100.0
1989	39.0	19.3	8.0	33.6	100.0	32.2	14.7	13.9	39.2	100.0
1990	37.5	20.9	7.9	33.7	100.0	29.6	16.5	14.2	39.6	100.0
1991	39.5	19.0	7.5	34.0	100.0	30.6	15.0	13.9	40.5	100.0
1992	39.1	18.4	7.4	35.1	100.0	31.6	14.4	13.1	40.9	100.0

Source: Employee Benefit Research Institute, *Quarterly Pension Investment Report*, fourth quarter 1992 (Washington, DC: Employee Benefit Research Institute,1993).

Table 7

Total Distributions from Tax Qualified Plans, 1987–1990

Distributions	1987	1988	1989	1990
Number of Distributions	(millions)			
Aggregate[a]	11.4	12.2	11.6	10.8
Non-IRA/SEP[b]	8.8	c	c	8.2
IRA/SEP	2.6	c	c	2.6
Total Amounts Distributed	($ billions)			
Aggregate	80.3	85.2	115.3	125.8
Non-IRA/SEP	65.9	c	c	107.2
IRA/SEP	14.4	c	c	18.6

Source: Employee Benefit Research Institute/Internal Revenue Service tabulations of IRS Forms 1099-R, Statement for Recipients of Total Distributions From Profit-Sharing, Retirement Plans, Individual Retirement Arrangements, Insurance Contracts, Etc., 1987–90.

[a] Individual retirement account

[b] Simplified employee pension

[c] Not available

Table 8

Rollover Contributions to IRAs,[a] 1987-1990

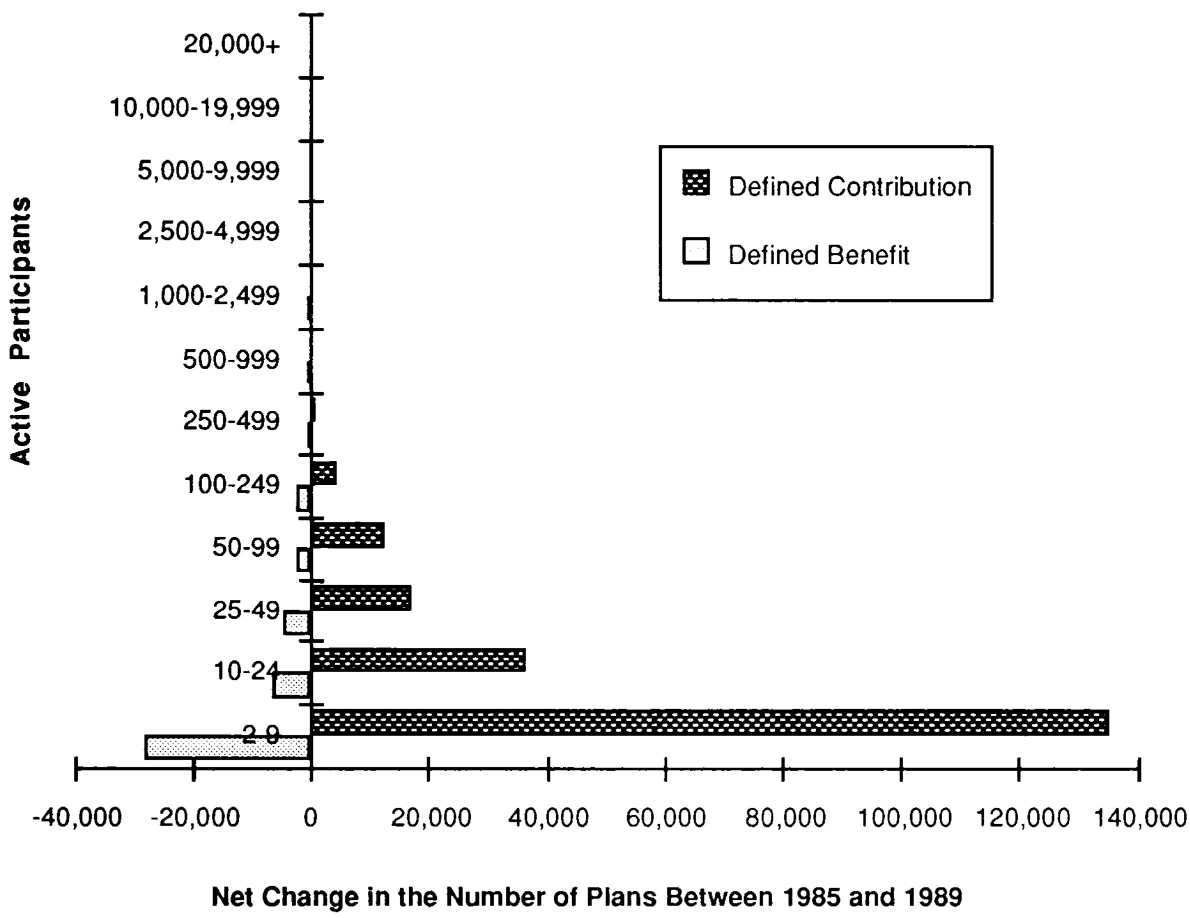
Contributions	1987	1988	1989	1990
Number of Contributions		(millions)		
	2.6	2.6	2.9	3.1
Total Amounts Contributed		($ billions)		
	39.3	45.9	63.0	71.4

Source: Employee Benefit Research Institute/Internal Revenue Service tabulations of IRS Forms 5498, Individual Retirement Arrangement Information, 1987–90.

[a] individual retirement account

Chart 1

Comparison of the Net Change in the Number of Primary Defined Benefit and Defined Contribution Plans Between 1985 and 1989



Source: Employee Benefit Research Institute tabulations of 1985 and 1989 Form 5500 annual reports filed with the Internal Revenue Service.