

Index

- 401(k) plans, 5, 22, 34, 55, 103, 161
 - and voluntary annuitization, 202
 - benefits of tax deferral with, 251
 - current issues, 252
 - default settings, 182
 - flexibility of distribution arrangements, 175
 - increasing share of coverage of, 23, 205, 248
 - maximum vesting period, 250
 - risks of, 5
 - virtues of, 251
 - with income guarantee. *See* alternatives to the traditional pension
- AAM. *See* public pension systems: automatic adjustment mechanisms
- accounting reforms, 158–59
- Accounting Standards Board. *See* ASB
- activist regulation, 98–102, *See also*
 - provision of information and financial education
 - gaming of, 100
 - impact on labor cost, 99–100
 - of coverage, 98–100
 - of vesting, 96, 101–02
- aggregate longevity risk, 8, *See also* supply-side influences on decline of the traditional plan: aggregate longevity risk
 - as source of increased risk to plan sponsors, 146
 - implications for choice of discount rate, 75
- ALM. *See* asset liability management
- alternatives to the traditional pension. *See also* hybrid pensions 190–202
 - DC plan with a guarantee, 192–95
 - default setting to encourage annuitization, 200–02
 - in service annuity (ISA), 195–200
- ASB, 78, 158
- asset liability management, 86–90, 93
- asset-liability matching, 82, 85, 93, 209
- Australia
 - adequacy problem, 25
 - current issues, 219–20
 - dominance of defined contribution plans, 217
 - financial literacy issues, 168, 220
 - historical background, 215–16
 - increasing coverage of second tier following reform, 23
 - overview of second tier, 215–20
 - pension reform in, 22
 - regulatory issues, 218–19
- Australian Prudential Regulatory Authority (APRA), 167, 218
- auto IRA, 100, 182, 183, 184
- automatic IRA. *See* auto IRA
- bias risk, 190
- California Public Employees Retirement System, 116, 128–29
- CalPERS. *See* California Public Employees Retirement System
- Canada
 - coverage and basic features of second tier, 220–21
 - coverage of private sector plans, 3
 - current issues, 223–24
 - financial literacy concerns, 224
 - first tier of, 223

- Canada (*cont.*)
 overview of second tier, 220–24
 reasons for slower decline of traditional plans, 222–23
 regulatory issues, 221–22
 CB plan. *See* hybrid pensions: cash balance plan
 Chandler, Alfred D. Jr
 study of business organization, 19
 conditional indexation. *See* Netherlands
 contractual saving
 effect on personal saving, 45–47
 costs of plan administration
 in the United States and the United Kingdom, 156–58
- Dame Agatha Christie, 144
 decisions required of plan members.
See provision of information
 decline of the traditional pension
 issues of method with explanations of, 139–41
 range of demand-side influences on, 7, 143–44
 range of supply-side influences on, 6, 142–43
 reasons for, 6
 deferred annuity pricing, 197
 defined benefit plan
 risks of, 6
 defined contribution plans
 economic effects of, 53–55
 failure to address key risks, 5
 investment issues, 92–93
 demand-side influences on decline of the traditional pension, 172–77
 declining rates of unionization, 175–76
 declining tenure rates, 172–74
 distrust of the employer, 176–77
 shortsightedness of plan participants, 174–75
- Denmark
 coverage of second tier, 224–25
 current issues, 227
 Danish Financial Supervisory Authority (DFSA), 226
 DB character of employer-provided plans, 225
 overview of second tier, 224–27
 regulation of second tier, 226
 duration, 74, 80, 87, 89, 90, 91, 108, 127, 226
 duration matching, 93, 105, 108, 159, 197, 207
 duration mismatch, 149
- EET. *See* EET tax model
 EET tax model, 31, 34, 223, 230, 242
 employee pension funds (EPF).
See Japan: older pension forms
 employer-provided pensions
 adequacy of, 24–26
 conditions for development of, 17–20
 costs of financial intermediation and, 44
 coverage of, 1, 20–24
 disparities of coverage by income, age and other socio-economic markers, 24
 early history of, 16
 forms taken by the benefit, 34–35
 legal forms, 26–28
 modes of taxation, 43–44
 overview and summary of declines in traditional plan coverage, 205–06
 portability, vesting and preservation, 29–31
 predominant form, 26
 rationale for, 42
 recent trends in, 20
 role in human resource management, 19, 45
 tax issues, 43–44
- entry age normal method. *See* pension plan funding: prospective funding methods
 ERISA, 26, 30, 105, 156, 159, 160, 162, 174, 222, 248, 250
 exempt-exempt-taxed model of pension plan taxation. *See* EET tax model
- FASB, 158, 165
 fair value accounting. *See* pension plan funding: valuation of assets
 final salary plans
 Financial Accounting Standards Board. *See* FASB
 risks of. *See* traditional pension plans
 financial education, 103–04
 financial instability
 impact on funding ratio, 150–51
 financial literacy. *See also* financial education
 dimensions of, 103–04
 first tier plans. *See* public pension systems
- General Motors
 pension plan difficulties, 171
 Georges Simenon, 144

- Germany
 - adjustment formula for first tier, 4
 - coverage of second tier, 23, 227, 230
 - need for increased contribution of second and third tiers, 26
 - overview of second tier, 227–31
 - pension forms in, 228–30
 - pension tax regimes, 230
 - recent developments and issues, 230–31
- group annuities
 - advantages of, 44
 - brokering group rates, 202
- Guaranteed Retirement Account (GRA), 181, 182, 213
- hybrid pensions
 - cash balance plan (CB plan), 55–57
 - features of, 55–59
 - in Denmark, 225–26
 - in Switzerland. *See* Switzerland:overview of second tier
 - pension equity plan (PEP), 59
- IASB, 158
- IAS 19, 150, 159–60, 241, 246
- individual longevity risk
 - and phased withdrawals, 64
- in-service annuity (ISA). *See* alternatives to the traditional pension
- Insurance and Superannuation Commission (Australia), 216
- insurance company model. *See* legal forms
- International Accounting Standards Board. *See* IASB
- investor behavior, 41
- ISA. *See* in-service annuity
- Japan
 - coverage, 233, 235
 - financial literacy issues, 235
 - older pension forms, 231–33
 - overview of second tier, 231–35
 - reforms of 2001–2002, 234–35
 - the pre-reform period, 231–33
- Keynes, John Maynard, 36, 36n
- labor force coverage of second tier
 - decline in Anglo Saxon countries, 3, 205
 - trends in other countries, 205–06
- Larkin, Phillip, 153
- LDI. *See* liability driven investment
- liability driven investment, 91, 93
- life cycle model
 - overview, 36–39
 - qualifications, 39–42
- life expectancy
 - at mid-20th century, 20
 - increases in, 145–46
- longevity bonds, 188–90
- national pension accounting standards
 - convergence of, 28
- Netherlands
 - conditional indexation, 109
 - coverage of second tier, 237
 - current issues, 237
 - overview of second tier, 236–37
 - risk-sharing with traditional pension plans, 4
 - unconditional indexation, 166
- non-discrimination rules (United States), 98, 156, 250
- notional defined contribution systems
 - limitations of, 133
 - Swedish model, 134–35
 - virtues of, 132
- notional defined contribution variant. *See* public pension systems and notional defined contribution systems.
- Occupational Superannuation Standards Act (Australia), 216
- Ontario, province of, 121, 221
- Pension Benefit Guaranty Corporation (PBGC). *See* pension plan insurance
- pension foundation model. *See* legal forms
- pension plan buyouts
 - in the United Kingdom, 74
- pension plan funding
 - accrual methods of costing, 69
 - choice of discount rate, 72–79
 - complications posed by early separation, 72
 - prospective costing methods, 68–71
 - valuation of assets, 79–81
 - with indexed debt, 75–77
 - with risk-free discount rate, 73, 74
- pension plan insurance, 168–69
- pension plan regulation. *See also* regulatory issues
 - rationale for, 94–97
- Pension Protection Act of 2006 (United States), 80, 118, 122, 161, 248

- PEP. *See* hybrid pensions:pension equity plan
- phased withdrawals
 managing, 59–64
- provision of information, 102–03
- prudent man standard. *See* prudent person rule
- prudent person rule, 104–06
- public pension systems
 automatic adjustment mechanisms (AAM), 135–36, 203–04
 impact of demographic change on finances of, 130–31
 notional defined contribution (NDC) variant, 131–33
 solvency mechanisms, 136
- public sector employer-provided plans.
 See public sector pension plans
- public sector pension plans
 appropriate discount rate for, 124–27
 basic features, 115–17
 Canadian, 121
 coverage of, 116
 funding shortfalls and their speed of adjustment, 127
 possible reforms of U.S. plans, 202–03
 pressures on, 7
 reasons for survival of traditional form, 121–24
 regulation of, 117
 social investing and shareholder activism, 128–30
 U.S. state and local, 117–20
- quantitative restrictions on plan asset composition, 105
- RBS
 see risk-based supervision, 106
- Registered Retirement Savings Plans (Canada), 221
- regulation. *See* activist regulation, regulatory reform and regulatory issues
- regulatory forbearance when plans are underfunded, 112
- regulatory issues. *See also* regulatory reform for experiences of individual countries, individual country entries, and activist regulation
 accounting and funding, 29
 basic considerations with plan design, 208–09
 regulatory reform
 in Australia, 167
 in Canada, 167
 in Denmark, 226
 in Germany, 165–66
 in Japan, 163–65
 in Sweden, 239
 in Switzerland, 168
 in the Netherlands, 166
 in the United Kingdom, 162–63
 in the United States, 159–62
 relationship between finances of a pension plan and those of its sponsor, 82–84
 reviving the traditional pension, 185–90
 by altering its parameters, 186–87
 by reducing its scale, 185
 sponsor preference for phasing out, 187
 through adjustments for changes in longevity, 188–90
 Riester pensions. *See* Germany:overview of second tier
 risk budgeting, 90–91
 risk-based regulation
 traditional standard. *See* prudent person rule
 risk-based supervision, 104–06
 and defined contribution plans, 111–12
 Australian system, 218–19
 Dutch system, 106–10
 risks to retirement security, 5
 role of collective bargaining in broad coverage, 21
 Saver's Credit (United States), 252
 saving
 obstacles to, 40
 second tier plans. *See* employer-provided pensions
 SIMPLE IRA (United States), 252
 soft universal coverage, 100
 Superannuation Guarantee, 216,
 See also Australia
 supply-side influences on decline of the traditional pension, 145–72
 aggregate longevity risk, 145–47
 basic uncertainty, 170–72
 change in the organization of work, 172
 cost pressures and technological change, 169–70
 financial instability, 147–55
 increase in financial volatility, 151–54
 regulatory reform and tax policy, 155–68

- Sweden
 - current issues, 240
 - overview of second tier, 238–40
 - pension reform in, 4
 - reform of first tier in, 4
- Switzerland
 - coverage of second tier, 240
 - current issues, 242
 - increasing coverage in, 23
 - overview of second tier, 240–42
 - regulatory issues, 240–41
- target date funds, 92–93
- tax expenditures
 - in Australia, 220
 - in the United States, 160, 161, 183, 184
- taxation of contractual saving. *See* employer-provided pensions: tax issues
- tax-qualified pension plan (TQPP).
See Japan: older pension forms
- tenure. *See also* traditional pension plans
 - cost of short tenures (box), 51
- traditional model of financial investment, 84–86
- traditional pension plans
 - and mandatory second tier coverage, 180–82
 - design issues, 47–50
 - economic effects of, 53
 - impact of tax incentives on, 183–84
 - incentives for long tenure and separation, 52–53
 - investment issues with, 82–91
 - replacement rates of, 49–50
 - risks of, 53
 - role in broadening coverage of employer-provided plans, 180–84
 - traditional private sector plans.
See also traditional pension plans
 - reforms to, 7
 - traffic light model
 - in Denmark, 226
 - in Germany, 231
 - in Sweden, 167, 239
 - trustee appointments
 - conflicts of interest arising from, 113–14
- U.S. railroad pensions, 19
- unconditional indexation. *See* Netherlands
- underfunding
 - consequences of, 81–82
 - in Canada, 150
 - in Europe, 151
 - in Japan, 151
 - in the United Kingdom, 150
 - the United States, 150
- United Kingdom
 - collapse of the traditional pension, 245–46
 - coverage of second tier, 243–45
 - current issues, 246–48
 - financial literacy in, 247
 - overview of second tier, 242–48
 - Pension Act of 2004, 246
 - pension reform in, 4
 - Social Security Pension Act of 1975, 245
- United States
 - coverage of second tier, 248
 - current issues, 253
 - overview of second tier, 252–53
 - regulatory issues. *See* ERISA and Pension Protection Act of 2006
- variable annuity with guaranteed minimum withdrawal benefit (GMWB), 191