

Pension Benefit Guaranty Corporation

September 24, 2003

(Room Document N°24, Session 4)

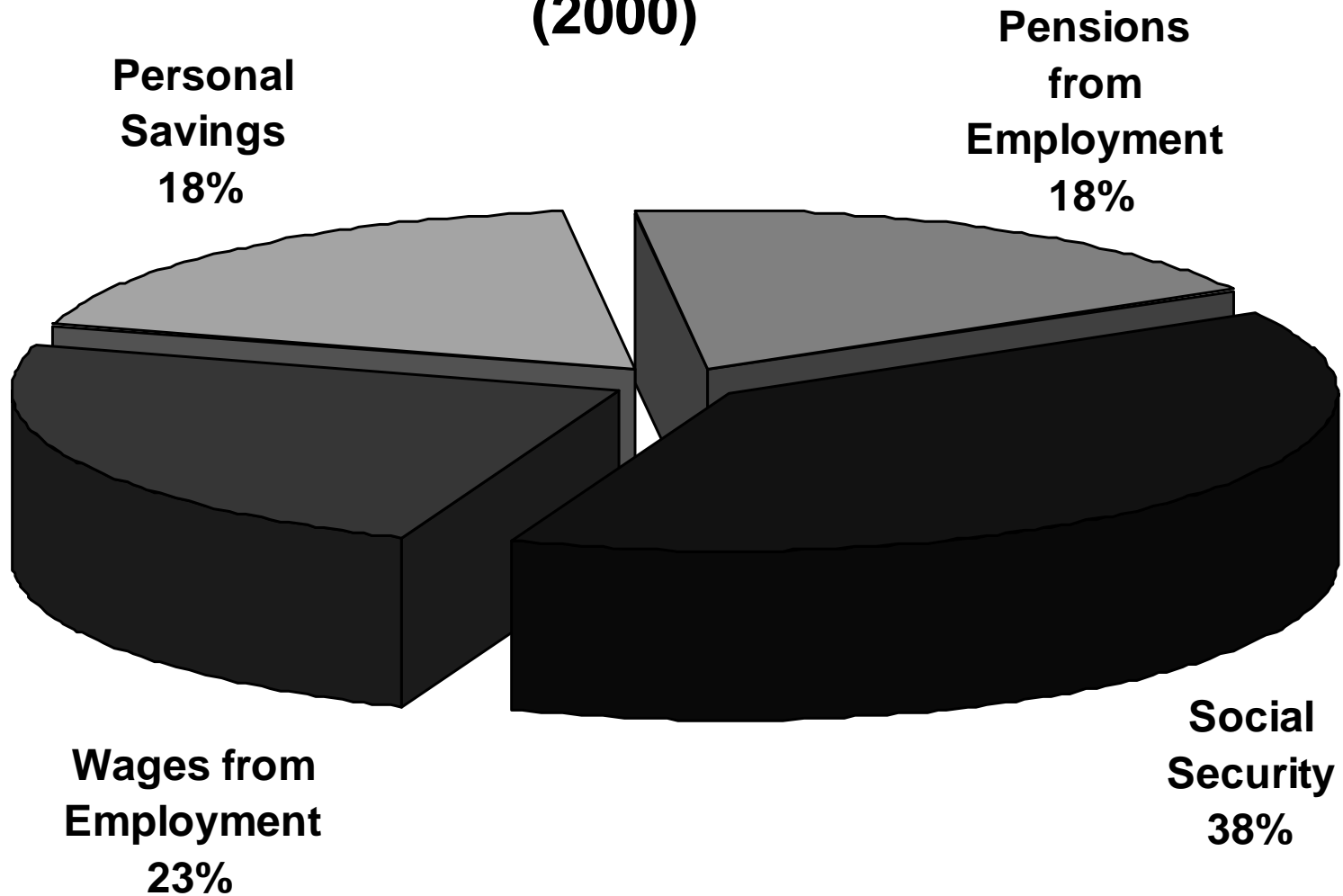


Steven A. Kandarian

Executive Director

Retirement Systems in the United States

Sources of Retirement Income (2000)



Retirement Systems in the United States

Social Security Program (2000)

- **150 million workers contribute to program**
- **Over 50 million receive benefits**
- **9 out of 10 retirees receive some level of benefits**
- **64% of retirees receive over half of their total income from the program**

Retirement Systems in the United States

Employer-based Pensions (1998)

- **Private workforce of 108 million (excludes self-employed)**
- **52 million covered by an employer's pension plan**
- **Defined Benefit and Defined Contribution plans**

History of Defined Benefit Pensions in U.S.

1875: First corporate pension plan (American Express)

1949: Automobile and steel manufacturing pension plans

1963: Studebaker bankruptcy

**1967: Senator Javits introduces Employee Retirement
Income Security Act (ERISA)**

1974: ERISA signed into law

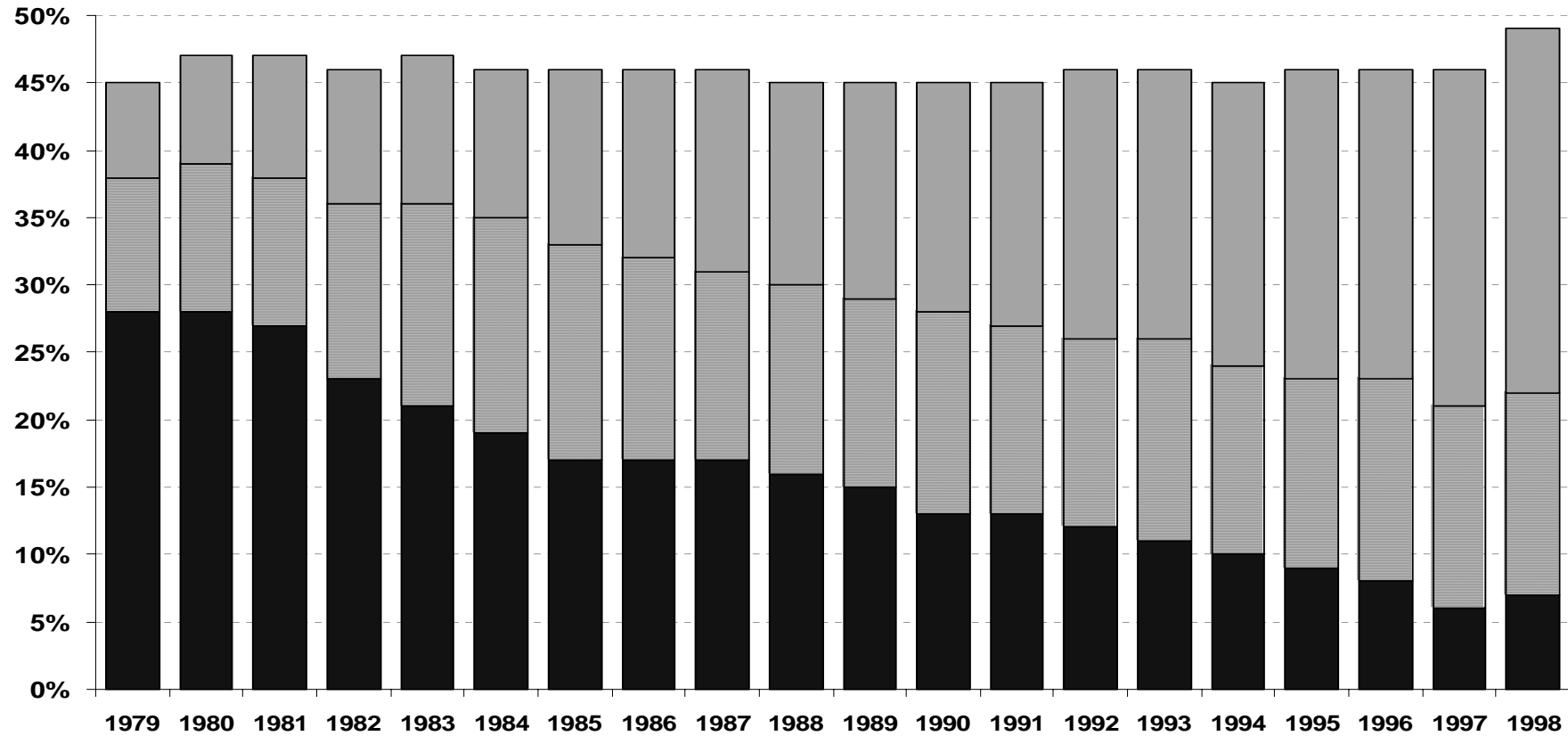
1987: ERISA amended

1994: ERISA amended

2003: Current debate in Washington, DC

Pension Participation Rates 1979 - 1998

Percent of
Private Wage & Salary
Workers



■ Defined Benefit Only

▨ Both Defined Benefit and Defined Contribution

■ Defined Contribution Only

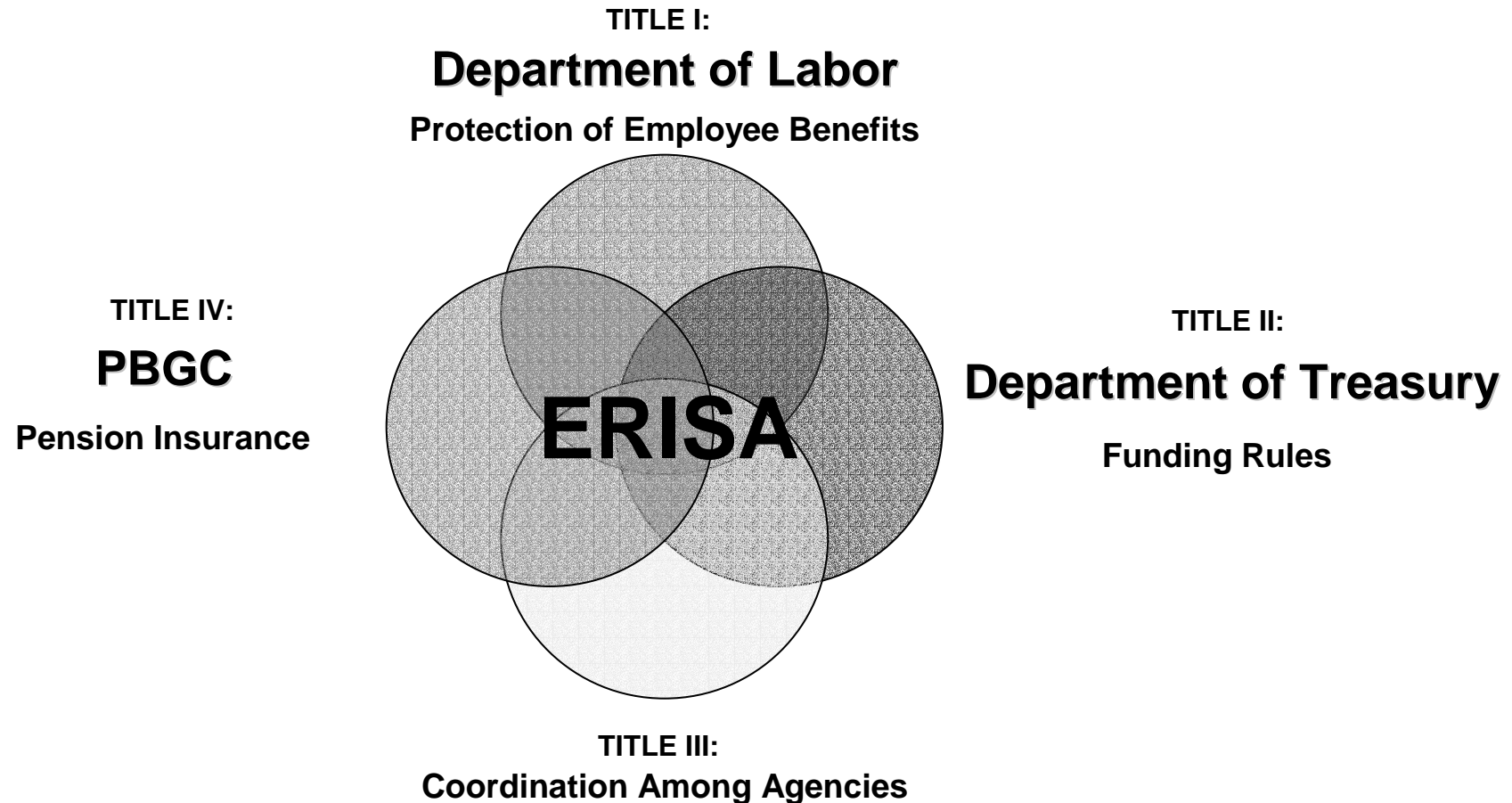
Source: U.S. Department of Labor

Pension and Welfare Benefits Administration

Abstract of 1998 Form 5500 Annual Reports Winter 2001 - 2002

Regulating Private Pensions

Structure and Administration of ERISA



Regulating Private Pensions

Department of Labor

- **Investment of Plan Assets**
 - 10% limit on company securities
- **Reporting and Disclosure to Participants**
- **Enforcement of Participant's Rights**

Regulating Private Pensions

Department of Treasury

- **Minimum and Maximum Funding**
- **Qualifications for Tax-deductibility**
- **Non-Discrimination**

Regulating Private Pensions

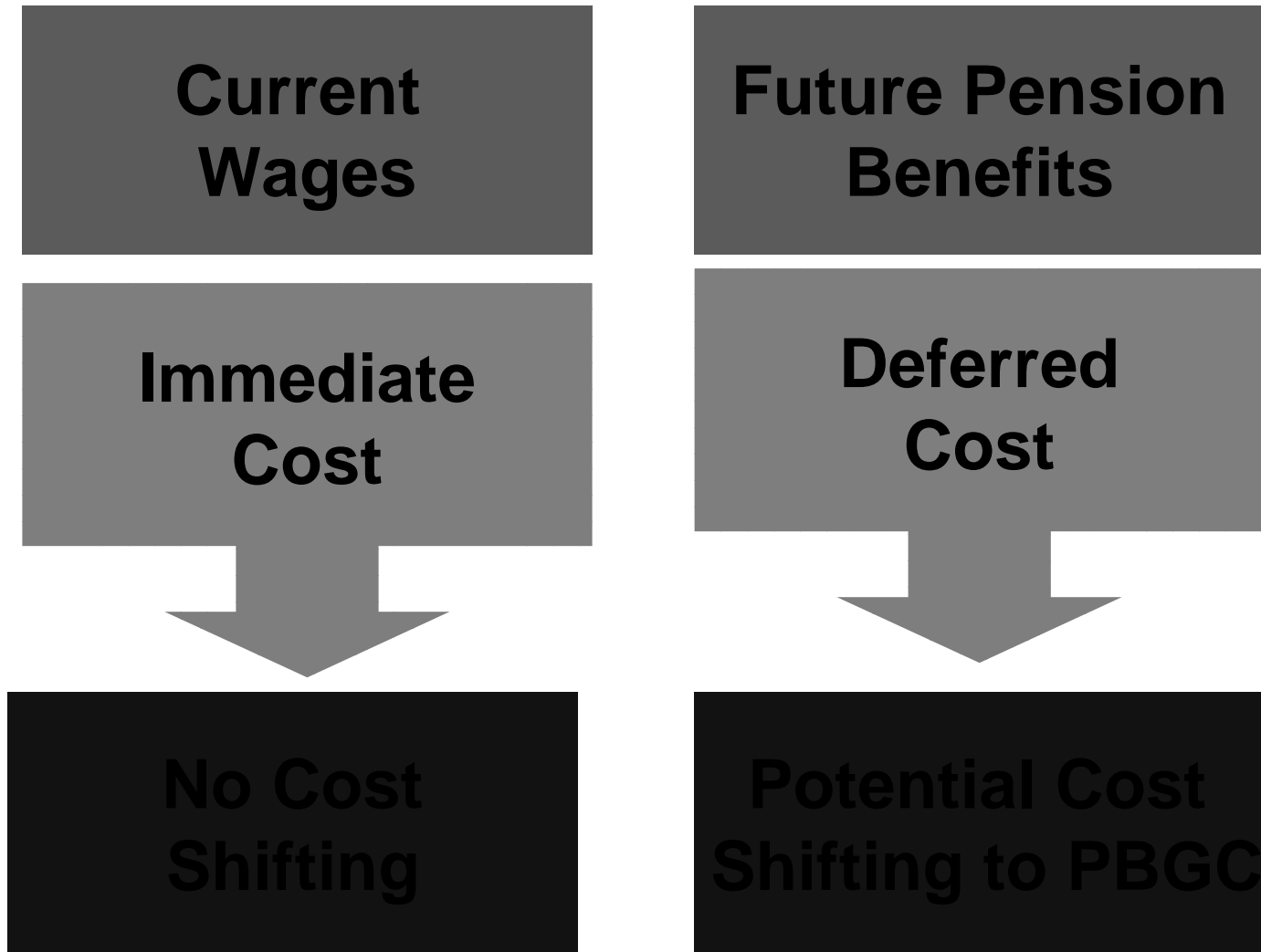
Pension Benefit Guaranty Corporation

- **Insures the promised benefits of underfunded defined benefit plans of bankrupt employers**
- **44 million insured workers in 33,000 defined benefit plans**
- **Currently paying \$2.5 billion in annual benefits to 450,000 retirees in 3,200 terminated plans**

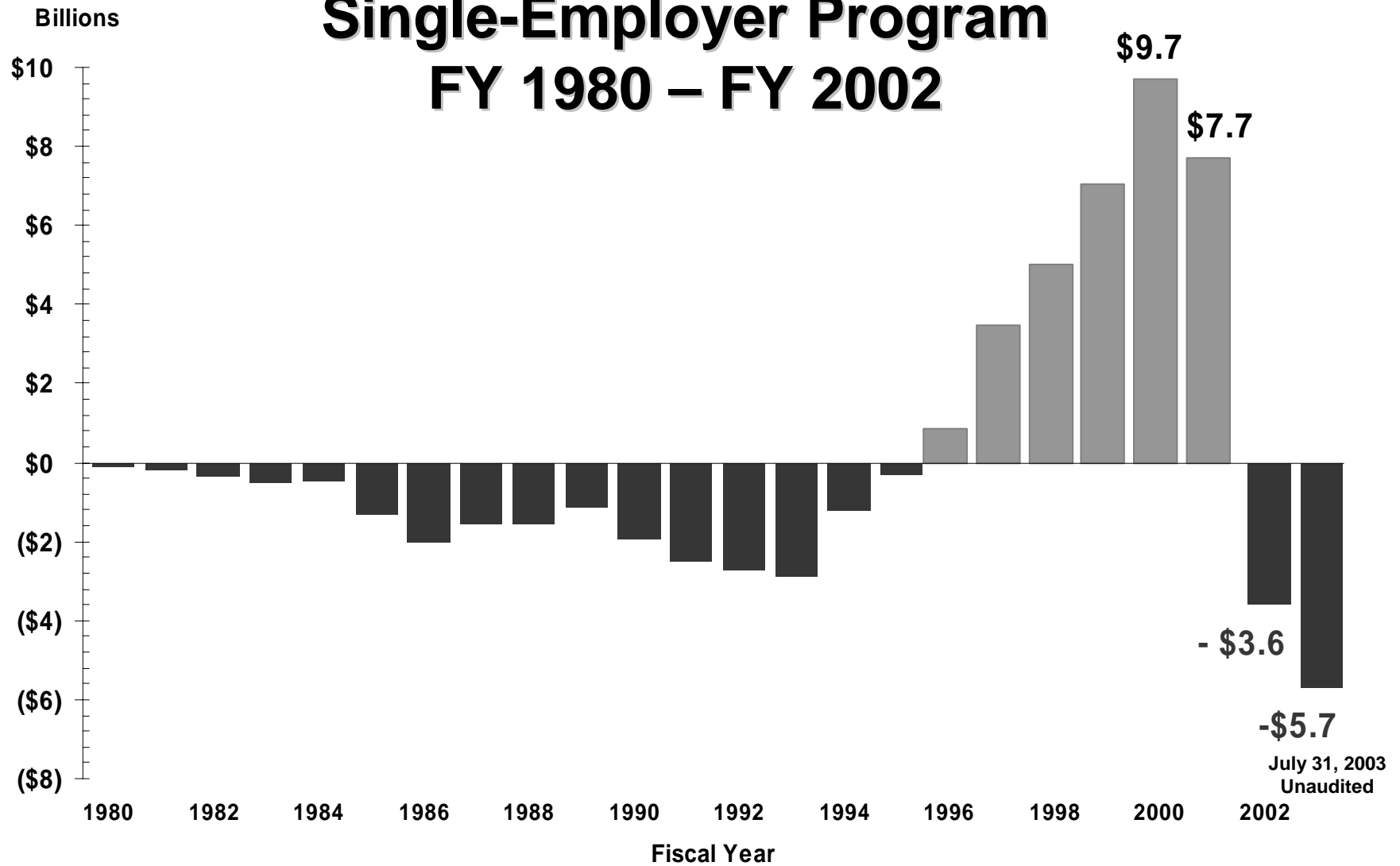
PBGC Funding Sources

- **Premiums**
- **Investment returns**
- **Assets from trusteeed plans**
- **Recoveries from bankruptcy**

Wage Benefit Trade-Off



PBGC Net Position Single-Employer Program FY 1980 – FY 2002



Data does not include restored LTV plans in 1986



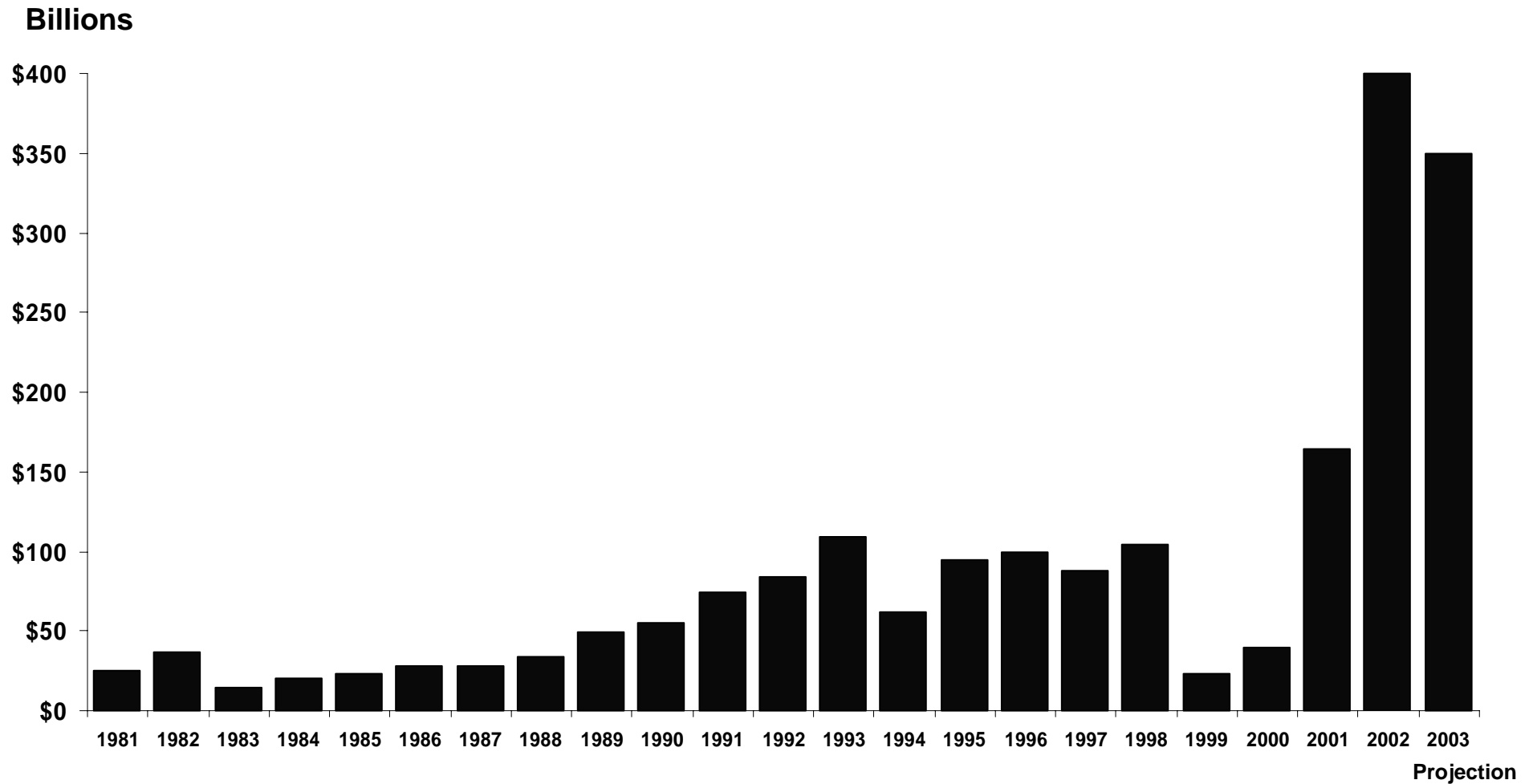
Asset / Liability Watch
(Percentage Change)

	'00	'01	'02	'03
ASSETS	-2.5	-5.4	-11.4	9.0
LIABILITIES	26.0	3.1	19.5	-5.4
Assets - Liabilities	-28.5	-8.5	-30.9	14.4

- 53.5%

Index:	RL Cash	5%
	LB Aggregate	30%
	S&P 500	60%
	MSCI EAFE	5%

Total Underfunding Insured Single-Employer Plans



PBGC estimates from Form 5500 and Section 4010 Filings

Current Debate in Washington, DC

- **How should liabilities be measured?**
- **How should plans be funded?**
- **Implications of asset-liability mismatch?**
- **Should premiums be risk-based?**