United States General Accounting Office 136341

GAO

Testimony

For Release
on Delivery
Expected at
9:00 a.m. EDT
Tuesday
July 12, 1988

Pension Portability and Preservation: Issues and Proposals

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Before the
Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

136341

GAO/T-HRD-88-24

PENSION PORTABILITY AND PRESERVATION:

ISSUES AND OPTIONS

SUMMARY

Pension portability refers to workers being able to transfer years of service or vested assets from one employer's pension plan to another. Pension preservation refers to assuring that workers who change pension plans conserve any cashed-out assets for retirement income rather than spending them for nonretirement purposes.

GAO examined three issues crucial to understanding pension portability and preservation for workers who are vested in pension benefits and learned the following.

1. How does job mobility affect workers' pension income in retirement? Compared to those who stay in one plan, workers who vest in a series of defined benefit plans could suffer retirement income losses. Their pension benefits under each plan are frozen at the time they separate and will not reflect salary growth between the time they leave the plan and the time they retire. In contrast, workers in a series of defined contribution plans will not experience a job mobility loss if their vested pension assets remain in the plans or are rolled over into an Individual Retirement Account (IRA) or a subsequent plan.

2. What kind of portability and preservation arrangements currently exist? Portability of service and pension assets in the private pension system is limited. Employees can preserve cashed-out pension assets for retirement by transferring them to IRAs or, in a few cases, another employer's plan. Many employees, however, have spent rather than preserved their cashed-out pension assets when changing jobs.

3. What problems and tradeoffs are involved in implementing proposals to enhance the portability and/or preservation of pension benefits? Current legislative proposals address pension preservation primarily by building on the concept of the rollover IRA; some such proposals could increase the administrative burdens of plans. Some options for maintaining the purchasing power of mobile workers' pensions from defined benefit plans have substantial drawbacks they would significantly increase employers' costs and remove some of the advantages these plans have for personnel management. Employers could react by switching from defined benefit to defined contribution plans, but this is a riskier way for workers to obtain adequate retirement incomes.

Mr. Chairman and members of the Subcommittee, we appreciate the opportunity to testify on pension portability and preservation issues. Pension portability refers to workers being able to transfer years of service or vested assets from one employer's pension plan to another. Pension preservation refers to assuring that workers who change pension plans conserve any cashed-out assets for retirement income rather than spending them for nonretirement purposes. Several legislative proposals currently being considered address various aspects of these issues.

Portability and preservation issues are of long-standing concern to the Congress and others. For example, the 1965 report of the President's Committee on Corporate Pension Funds and Private Retirement and Welfare Programs advocated, among other things, the establishment of a central clearinghouse to manage employees' cashed-out pension assets. A similar proposal was included in the Senate-passed version of the legislation that became the Employee Retirement Income Security Act of 1974 (ERISA). Other proposals have been debated, considered, and studied since the passage of ERISA. The fact that even today the discussions continue is evidence that while the issues are difficult to address, interest in them, particularly in the Congress, has not abated.

The primary motivation for portability and preservation proposals is the desire to promote adequate retirement incomes.

The lack of pension portability may cause the retirement income of workers who change employers to be lower than if they had stayed with the same employer's plan for a full career even if they are fully vested in each employer's pension plan. In addition, research has shown that when job changers have been able to cash out vested pension assets, most have used the money for nonretirement purposes. To help preserve pensions for retirement income, provisions in the Tax Reform Act of 1986 were designed to provide a disincentive for using these funds for purposes other than retirement. The effectiveness of this legislation is not known yet. Continued use of cashed-out pension assets as in the past will clearly hinder the achievement of adequate retirement incomes.

At the request of your Subcommittee, we reviewed recent studies and legislative proposals relating to pension portability and preservation for workers who are vested in pension benefits. In particular, we responded to three questions that are crucial to understanding these issues. Our findings can be summarized as follows:

1. How does job mobility affect workers' pension income in retirement? Compared to those who stay in one plan, workers who vest in a series of defined benefit plans could suffer retirement income losses. Their pension benefits under each plan are frozen at the time they

separate and will not reflect salary growth between the time they leave the plan and the time they retire. In contrast, workers in a series of defined contribution plans who are vested when they leave their employer's plan will not experience a job mobility loss if their pension assets remain in the plans or are rolled over into an Individual Retirement Account (IRA) or a subsequent plan.

2. What kind of portability and preservation arrangements currently exist? Portability of service and pension assets is limited, with the exception of the social security system. Employees can preserve cashed-out pension assets (apart from previously taxed employee contributions) for retirement by transferring them to IRAs or, in a few cases, another employer's plan. Such assets then can continue to grow on a tax-deferred basis. Many employees, however, have spent rather than preserved their cashed-out pension assets when changing jobs.

3. What problems and tradeoffs are involved in implementing proposals to enhance the portability and/or preservation of pension benefits? Current legislative proposals address pension preservation primarily by building on the concept of the rollover IRA; some such proposals

could increase plans' administrative burdens. Some of the options that analysts advocate for maintaining the purchasing power of mobile workers' pensions from defined benefit plans, such as indexing deferred benefits, have substantial drawbacks. They would significantly increase employers' costs and administrative burdens and remove some of the advantages these plans have for personnel management. Employers could react by switching from defined benefit to defined contribution plans, but this is a riskier way for workers to obtain adequate retirement incomes.

JOB MOBILITY MAY REDUCE WORKERS' PENSION INCOME

To become legally entitled to pension benefits (vested), workers must meet a plan's eligibility requirements and then remain in the plan a specified length of time. Because the Tax Reform Act of 1986 shortened the vesting timetables (e.g., from 10 years to 5 years), more workers are likely to have vested benefits in the future. Our testimony today and the pension portability and preservation proposals we reviewed relate only to workers with vested pension benefits.

Pension plans fall into two categories--those with defined benefits and those with defined contributions. Of all active

plan participants in 1980, 60 percent (about 30 million) were in only a defined benefit plan, 26 percent (about 13 million) were in a defined benefit plan and at least one supplemental defined contribution plan, and 14 percent (about 7 million) participated only in a defined contribution plan.

Defined Benefit Plans

A defined benefit plan uses a specific formula to compute workers' pension benefits. According to 1984-87 pension data, about 69 percent of single-employer defined benefit plan participants belonged to plans that used "final-pay" formulas, which base benefits in part on salary immediately before retirement. For instance, the pension might be defined as one percent of "high-five" pay (the average of the highest 5 years of salary) times years of service. Other defined benefit plans base benefits on career average salary or pay a flat dollar amount per year of service (the latter is typically used by union plans for workers whose salaries are similar to one another).

Defined benefit plans help plan sponsors achieve various personnel management goals:

1. Because benefits accrue slowly during the early years of participation (compared with defined contribution

plans), employers can offset higher training costs for newer employees with relatively low pension contributions.

2. The benefit formula encourages workers to remain with an employer during their prime productivity years.

3. The employer can use special formulas to encourage older workers to take early retirement.

4. When employers set up plans, workers can receive past service credit so that their pension benefits reflect all years of service with the employer.

From the worker's point of view, defined benefit plans provide predictable benefits that typically are tied to earnings immediately before retirement. Further, such plans put the risk of investment performance on the employer, not the employee. That is, if the investment return on pension assets is not sufficient to meet benefit liabilities, plan sponsors are required to make up the difference with increased employer contributions. Even if sponsoring companies go bankrupt without sufficient assets to meet their pension liabilities, some percentage of the employee's vested benefit is generally guaranteed by the Pension Benefit Guaranty Corporation (PBGC). On the other hand, as described below, workers with vested

benefits who leave a series of defined benefit plans before retirement will usually receive less pension income than workers who stay in a plan until their retirement age.

Defined Contribution Plans

In contrast to a defined benefit plan, the pension benefit from a defined contribution plan is based on the amount accumulated in the participant's individual account, not on a predetermined formula. In many types of defined contribution plans, the employer annually makes a specific contribution to each participant's account; for instance, 10 percent of pay or a percentage of the employer's profits. Each account also is credited with its share of investment return, including any increases or decreases in the market value of the underlying assets. In some plans, participants also receive a pro rata share of contributions made on behalf of employees who separate before they are vested; these funds are known as forfeitures. The pension at retirement or termination of employment may be paid in a lump sum, a life annuity, or a series of installments until the account is exhausted.

From the employer's standpoint, defined contribution plans offer the advantages of administrative simplicity and less regulation. From the worker's point of view, compared to a defined benefit plan, the value of defined contribution plan

assets builds at a faster rate during the early years of a worker's participation, but slower during later years. Second, the vesting schedules are usually shorter. Third, as described below, workers' benefits are not generally affected by changing employers. On the other hand, the employee bears the risk associated with the investment performance of the pension assets; thus, there is no guarantee of a set relationship between salaries earned immediately before retirement and the pension benefit.

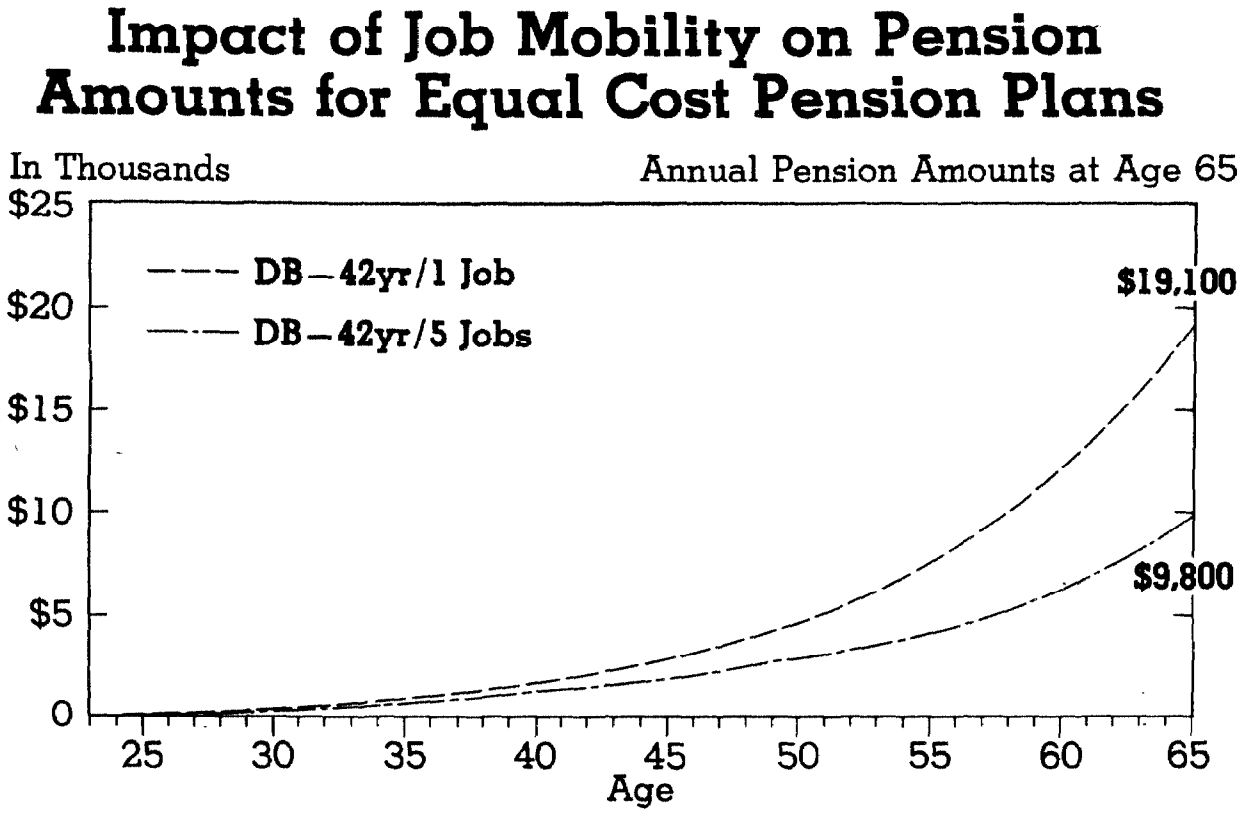
Defined Benefit Plans and Job Mobility Loss

An employee vested under a series of defined benefit pension plans can accumulate significantly lower pension benefits than an employee who remains under one pension plan for a full career. This is true even if all the plans have the same benefit formulas and the employees have identical salary histories. For this discussion, we will refer to the reduction in pension benefits caused by changing employers as job mobility loss. To calculate the loss, we first take the actual benefit that the employee will receive from all employers and divide it by the pension benefit that a mobile employee would have received if the last employer calculated the pension benefit based on the employee's full career service. Then we subtract this percentage from 100 percent.

Using an example developed by the Congressional Research Service (CRS) to illustrate the job mobility loss, we compare the annual pension benefits of two retired employees with identical salary histories and pension plan provisions who differ only in job mobility (see fig. 1). Each pension plan provides a retirement benefit equal to 1 percent of high-five pay for salary up to the average social security taxable wage base, and 1.5 percent above it (a common private sector practice called integration), multiplied by years of service. All amounts shown are in 1988 dollars. Under this final-pay plan, one employee works 42 years for the same employer while the other employee works for five different employers (2 years with the first employer, 5 years with the second, 10 years with the third, 10 years with the fourth, and 15 years with the fifth).

The mobile employee's total pension benefit from the five different plans would be $9,800, or about 51 percent of the nonmobile employee's single plan pension income of $19,100. In this case, the job mobility loss is about 49 percent. This loss would be smaller for a mobile worker whose pension coverage is not exclusively in defined benefit plans that use final pay formulas or for a worker with fewer job changes, slower salary growth, or an earlier retirement age. Furthermore, to the extent that a worker receives a second pension, such as a thrift plan, the overall retirement income loss would be less.

Figure 1:



Starting pay of $20,000; Ending pay of $48,700. Constant (1988) dollars.

Source: Congressional Research Service

Components of Job Mobility Loss

Job mobility loss occurs because pension benefits under defined benefit plans often are tied to salaries, which typically increase throughout the worker's career but are only taken into account as long as he or she is continuously covered under the pension plan. Thus a loss occurs, for example, when a worker

leaves a final-pay plan before retirement age. In this case, pension benefits are based on the worker's final average earnings at termination, rather than at retirement age, when the worker's earnings are likely to be higher.

The earnings growth over a career that causes job mobility loss is attributable to two factors:

Inflation loss. Each time workers in defined benefit plans change employers, their vested pension benefits usually are retained by the employer and payment is deferred until retirement. Between the time the worker leaves a plan and benefit payments begin, the amount of the deferred benefit is frozen. Therefore, the purchasing power of the benefit is eroded by inflation. An inflation rate of 4 percent, for example, would reduce the real value of a pension benefit deferred for 15 years by about 44 percent.

Real earnings-growth loss. Presumably, workers become more efficient and effective at their jobs the longer they perform the same job tasks. In addition to wage and salary increases designed to offset inflation, employers may also compensate workers to reflect increases in their productivity that result from job tenure. Within-grade pay adjustments for federal workers are an example of productivity growth increases. Workers also receive additional wage and salary increases resulting from

career promotions. Job mobility loss happens because future wage and salary gains are not recognized in calculating deferred retirement benefits.

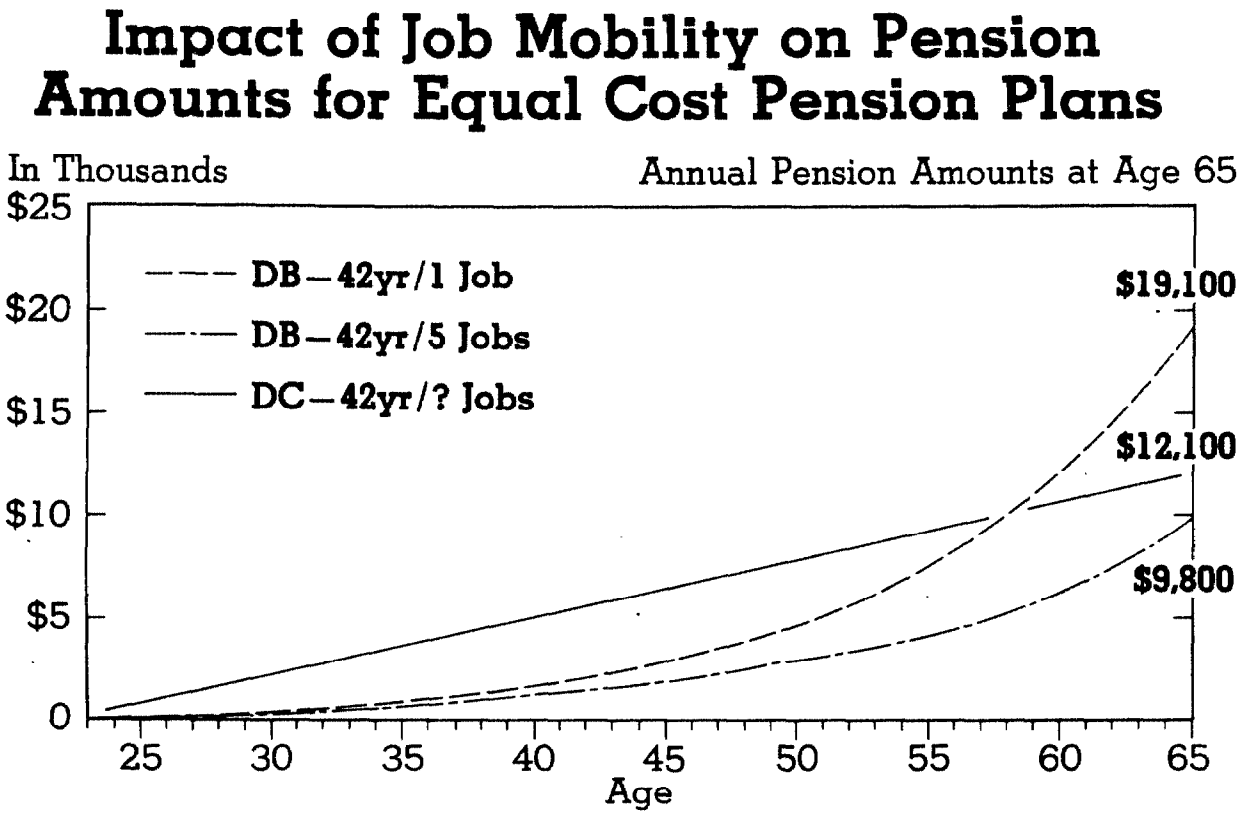
Defined Contribution Plans and Job Mobility Loss

Workers in a series of defined contribution plans who are vested when they leave their employers' plans will not experience a job mobility loss if their pension assets remain in the plans or are rolled over into an IRA or a subsequent plan. This assumes the rate of return on the funds is the same no matter who manages them. The loss is avoided because the value of the pension assets, and hence retirement benefits, is based on the market performance of an investment fund, not on final earnings and years of service. Workers who become vested in two or more defined contribution plans over the course of their careers may do better than mobile workers vested in two or more consecutive defined benefit plans, as shown in figure 2.

This illustration, also developed by CRS, contrasts the earlier example of the two employees under defined benefit plans with an employee under a defined contribution plan of equal cost. The employee covered under the defined contribution plan, regardless of the number of job changes, would have an annual

pension benefit of $12,100, or about 23 percent more than the mobile employee's total pension income of $9,800.

Figure 2:



Starting pay of $20,000; Ending pay of $48,700. Constant (1988) dollars.

Source: Congressional Research Service

In summary, mobile workers vested under a series of defined benefit plans often accrue lower retirement benefits than do workers with comparable pension plans who work their full career for one employer. In contrast, the vested pension benefits of workers participating in defined contribution plans are not

affected by job mobility. Even though workers in a defined benefit plan are at a disadvantage in terms of prospects for future pension income when they change employers, such plans offer employers and workers advantages not offered by defined contribution plans.

LIMITED PORTABILITY AND PRESERVATION ARRANGEMENTS EXIST

We have identified several examples of public and private pension plans that provide pension portability for mobile workers. In addition, under current law all workers who receive cashouts are permitted to use IRAs to preserve pension benefits until retirement.

Portability of Service

Portability of service--allowing employees to transfer years of service credit from one defined benefit plan to another--exists in the public sector, but only in limited cases in the private sector.

Social security is our nation's most portable pension system. It bases benefits on earnings over an employee's entire career, no matter how many times the worker changes employers. However, employment in positions not covered by social security

results in no credit for that service. Since its inception in 1935, coverage under social security has expanded considerably, presently including almost all workers in the economy.

Examples of portability of service in the private sector include collectively bargained multiemployer plans, as well as networks of single-employer plans with portability or reciprocity agreements. In 1985, about 6.3 million individuals, or about 16 percent of all active private pension plan participants, were covered by about 3,000 multiemployer plans. The plans covering the Bell System companies provide an example of reciprocity agreements. Only about 8 percent of all single-employer pension plans have reciprocity agreements with unrelated employers, however, according to a 1981 study sponsored by the Department of Labor.

Portability of Assets

Portability of assets refers to the practice of giving workers a lump-sum cashout of their vested pension benefits when they leave a company's pension plan rather than deferring payment until retirement age. The cashout represents the present value of future benefits from defined benefit plans or the vested account balance from defined contribution plans. Under one legislative proposal, these assets would be transferred directly

to a worker's IRA. Portability of assets is more common than portability of service.

Cashouts of assets generally take place at the plan sponsor's option. A cashout may occur under either a defined benefit or a defined contribution plan. An estimated 30 percent of participants in defined benefit plans and 82 percent of participants in defined contribution plans in 1984 were in plans that permitted cashouts of vested benefits under at least some circumstances, according to a 1986 study. Generally, cashouts from defined benefit plans were not large. Only about 3 percent of single-employer defined benefit plans accepted assets transferred from prior plans, according to a 1981 study for the Department of Labor.

Pension Preservation

The issue of preservation arises in those instances in which workers receive cashouts upon leaving pension plans. Currently, workers may preserve their pension assets for retirement by transferring them into IRAs or (in rare instances) other qualified pension plans, but in many cases workers spend the assets rather than roll them over.

Whether lump sums are saved or spent may affect income adequacy in retirement. Most workers who left their employer

with cashed-out pension assets (about 95 percent) did not roll over the money into other retirement vehicles; only about 30 percent used the funds for any kind of investment, according to a 1986 study.

More workers may preserve pension assets in the future because of changes resulting from the Tax Reform Act of 1986. The law raised the cost of spending cashed-out pension benefits before age 59-1/2 in at least two ways: (1) it eliminated 10-year averaging for income tax purposes and (2) it imposed a 10-percent penalty tax on pension plan assets that are not rolled over into an IRA or other qualified plan. This essentially makes the treatment of lump-sum payments similar to the treatment of premature withdrawals from IRAs. Because of these changes, more workers may save their pension assets for retirement purposes.

IRAs are a currently available mechanism for mobile workers to preserve their cashed-out pension assets. Under current law, however, workers may not roll over their own previously taxed contributions into a successor plan or IRA. Also, plan sponsors may not directly transfer cashed-out pension assets to an employee's IRA or another employer-sponsored plan.

Although preservation of pension assets is an issue for both defined benefit and defined contribution plans, it is currently

more of a problem with cashouts from defined contribution plans. This is because (1) in defined contribution plans pension assets build up faster during early years of plan participation when workers are most likely to change employers (see fig. 2) and (2) as we noted earlier, defined contribution plans generally cash out employees when they leave their employers. By contrast, in defined benefit plans (1) pension assets build up faster in later years of participation when workers' salaries and years of service are higher and (2) only a relatively small proportion of defined benefit sponsors allow terminating employees to receive lump sums of more than $3,500.

PROBLEMS AND TRADEOFFS IN IMPLEMENTING PORTABILITY AND PRESERVATION PROPOSALS

We have identified a number of options that seek to (1) maintain the value of pensions from defined benefit plans, (2) increase the portability of pension assets, and (3) encourage workers to preserve their cashed-out pension assets. Their primary goal is to help ensure adequate retirement incomes. Some options have been included in bills that have been introduced in this session of the Congress, while others that we have identified are based on earlier proposals or discussions in studies, the press, or other forums. These ideas include:

1. Maintaining the Value of Benefits From Defined Benefit Plans

-- Increasing portability of service.

-- Indexing deferred pension benefits.

2. Increasing Portability of Assets

3. Encouraging Preservation of Pension Assets

-- Establishing a national portability clearinghouse to manage workers' pension assets from previous employers.

-- Making it possible for plan sponsors to transfer cashouts directly to IRAs or other qualified retirement plans, rather than having to give pension assets to separating employees.

-- Restricting workers' ability to spend cashouts before retirement or increasing disincentives associated with consuming cashouts.

-- Allowing workers to roll over previously taxed employee contributions into IRAs or successor plans.

-- Requiring retirees to receive their pensions in the form of lifetime annuities rather than lump sums.

The current legislative proposals that we have identified generally deal with options for encouraging the preservation of pension benefits and, to a lesser extent, with portability of assets. They do not address portability of service.

Maintaining the Value of Benefits From Defined Benefit Plans

Portability of service and indexing vested deferred benefits are two recognized methods for maintaining the value of mobile workers' pension benefits from defined benefit plans.

Under portability of service, workers' final employers would credit their workers' years of service with previous employers in determining pension benefits. This would eliminate the entire job mobility loss because it would effectively grant to all employees the higher benefits accruing to nonmobile employees that are depicted in Figure 1. For this reason portability of service would cause a substantial increase in cost, all other things being equal.

Alternatively, employers could index vested pension benefits. By using an inflation indicator as an index, such as

the Consumer Price Index, pension benefits would be protected from inflation losses. By using an average earnings index, such as the social security average wage index, pension benefits would be protected from both inflation and productivity losses. Indexing deferred pension benefits would substantially reduce--but not eliminate--job mobility loss to the extent that workers' earnings over a career tend to increase faster than inflation and productivity gains. According to Congressional Budget Office estimates, indexing vested deferred pension benefits would increase the liabilities of a typical plan by 10 to 20 percent.

On the other hand, employers might reduce overall pension benefits to offset the increased cost. In this case benefits for nonmobile employees would have to be reduced to offset the higher benefits earned by mobile employees. Thus nonmobile employees would implicitly pay a price for portability of service or indexing of deferred vested benefits.

Some experts question whether the increased labor mobility likely to occur with greater portability of service or indexing of deferred vested benefits is good for the economy. They argue that employers need to be able to recoup investments in recruiting and training workers. Accordingly, one advantage of defined benefit plans is that they discourage turnover in the firm's work force. The loss of control over turnover could threaten the purpose of defined benefit plans as an instrument of

personnel policy. Also, given the cost of portability of service or indexing and the generally heavier regulatory burden borne by defined benefit plans, defined benefit plan continuation and plan formation may be discouraged.

In addition, portability of service would pose substantial administrative problems.

-- Special cost-sharing arrangements would have to be implemented to avoid shifting the entire economic consequences of preventing job mobility loss to workers' final employers.

-- The paperwork burden on plans would be substantially increased because plan sponsors (or a central clearinghouse) would have to keep track of an employee's service under various employers and allocate costs among these employers.

-- Coordinating the benefits of plans with different formulas or different actuarial assumptions would require a method of translating the pension credits of one plan into those of another.

-- Inclusion of federal, state, and local employees in any portability or reciprocity scheme would have to

be considered. State and local pension plans currently are exempt from many federal regulations.

Increasing Portability of Assets

Cashing out workers' vested pension assets would permit them to consolidate assets from two or more plans in an IRA or an account with a central clearinghouse. This could simplify workers' recordkeeping and retirement planning. It would also allow them or their estates to gain access to these assets in the event of disability, death, or other contingencies.

From the plan sponsor's point of view, paying cashouts would save plans the trouble of making small benefit payments. Also, defined benefit plan sponsors would not have to pay premiums to PBGC to insure the benefits of vested separated participants.

On the other hand, portability of assets generally would not increase workers' total pension benefits. In particular, it would not eliminate the job mobility loss in defined benefit plans because the value of the cashout is calculated on the basis of workers' final pay when they leave the plan. That pay is generally lower than their final pay at retirement. Pension experts who have examined proposals to increase portability of

assets have identified the following problems with implementing these schemes.

-- Increased portability of assets would necessitate increased liquidity in pension funds. Also, it would complicate funding of defined benefit plans, insofar as the plans' actuaries normally act on the assumption that the plan would begin to pay benefits at retirement age, not at the date of separation, which is more difficult to predict. Furthermore, defined benefit plan sponsors would incur an additional administrative burden in calculating appropriate cashout amounts.

-- If portability of assets involves rolling over assets from a defined benefit plan to the worker's IRA (the most likely scenario), there would be a shifting of investment risk from the plan to the individual. This would make the retirement income security of workers less certain.

-- Workers who were cashed out of a defined benefit plan at termination of employment would forgo any *ad hoc* postretirement benefit increases that might later be granted to the plan's retirees, if these

increases are extended to recipients of deferred pensions.

-- Encouraging cashouts from either defined benefit or defined contribution plans might increase diversion of pension assets to nonretirement purposes. This could occur even if these assets are initially rolled over into an IRA, unless measures to encourage preservation of pension assets are also implemented.

Ensuring Preservation of Pension Assets

Proposals aimed at preserving pension assets seek to encourage or require workers to roll over cashouts into an IRA or other vehicle in order to make it more likely that pension assets will be used for retirement. As such, these proposals generally do not pose the same tradeoffs as other proposals in terms of the operation of pension plans because they deal with the treatment of assets that have already been distributed from pension funds. However, there are certain practical issues to be addressed.

-- Spending pension assets before retirement may be less of a problem in the future because of the new rules contained in the Tax Reform Act of 1986. It is too early

to determine the impact of these new rules, and hence the potential benefits of further restrictions are unclear.

-- When employees have some discretion as to how much money is contributed to a plan (e.g., 401[k] plans), additional restrictions on spending of assets may discourage them from using the plan to save for retirement.

-- Some preservation proposals would establish a central clearinghouse as the repository of cashed-out pension assets. Several experts have expressed concern that the decisions concerning how to invest the assets of a federally controlled fund could become a political issue.

-- Encouraging or requiring pension assets to be rolled over into successor plans and IRAs might increase retirement savings, but it would also likely reduce the revenue to the Treasury. This is because fewer premature withdrawal penalties would be collected and the investment income on these funds would accumulate tax-deferred.

-- We were not able to identify any studies indicating to what extent retirees withdraw assets from pension and IRA accounts in lump sums, rather than purchase annuities or otherwise spread pension income over their remaining lifetimes.

CONCLUDING OBSERVATIONS

The role of the private pension system has undergone substantial changes. Initially, the pension system was used primarily as a personnel management tool, allowing employers to reward long and loyal service and move people out of the work force with attractive retirement options. Over time, the Congress has sought to use pensions more as an instrument of public policy, adding requirements that help a broader cross section of workers to gain pension income. These dual purposes--personnel management and retirement income adequacy--can cause the system to work at cross-purposes.

Efforts to increase pension portability and preservation of pension assets aim to ensure adequacy of retirement income, but undermine the use of defined benefit plans as a personnel management tool. Our assessment indicates that implementing the portability proposals currently under discussion would entail difficult economic tradeoffs by employers, employees, and the federal government.

For employers, more pension portability could mean greater liabilities, additional administrative expenses, and an increase in labor turnover. Employers could react in various ways. For example, if the federal government does not pick up a substantial

portion of the additional cost, employers may decide to shift to defined contribution plans as the primary pension plan. If this occurs, workers' retirement income will depend on the rate of return on their pension contributions rather than on a guaranteed benefit under a defined benefit plan. Some would find this course of action objectionable because the retirement income security of workers will be less certain.

Pension preservation proposals would have less of an effect on the pension system, unless greater portability of assets is also required. Increasing preservation of pension assets would constrain workers rather than plan sponsors. However, requiring defined benefit plans to cash out pension assets whenever a worker terminated employment would complicate funding and add administrative burdens.

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Mr. Chairman, this concludes my statement. I would be happy to answer any questions at this time.