

**Society of Actuaries' Survey on the
Prevalence of Traditional and Hybrid
Defined Benefit Pension Plans**

Report of Findings

March 2005

Prepared by:

Mathew Greenwald and Associates, Inc.

TABLE OF CONTENTS

INTRODUCTION	1
DETAILED REPORT OF FINDINGS	3
APPENDIX A: Supplemental Tables	12
APPENDIX B: Survey questionnaire	20

INTRODUCTION

This report presents the results of a survey conducted for the Society of Actuaries Pension Section Research Committee by Mathew Greenwald & Associates, Inc.

The purpose of the survey was to examine the prevalence of traditional and hybrid defined benefit pension plans in large organizations that have operations in the United States. The results of the study may prove useful to pension practitioners and policy makers wishing to gauge the effect of a recent US court ruling with potentially widespread implications for pension plans commonly referred to as cash balance plans.

Many organizations have several defined benefit plan designs, depending upon division or facility, age, year of hire, or union status. In addition, for many employees, the plan design is complex, incorporating features of both traditional and hybrid plan designs (e.g., the greater of a traditional plan design and a hybrid plan design). This survey studies the prevalence of hybrid plan designs at the participant level, regardless of date of hire. For example, an employer may offer a cash balance plan to employees hired after January 1, 2000, while employees hired prior to that date retain benefits associated with a traditional plan design. Some surveys only monitor the plan provisions for new hires. Such a survey would attribute the cash balance design to the entire organization, even if the majority of employees are covered by the traditional design. In this survey, the Society of Actuaries strived to obtain a more accurate picture of the number of participants covered by hybrid and/or traditional plan designs.

The survey was conducted in September of 2004. It was sent to the pension plan administrators of the largest 2,500 employers with workers in the US. Contact information for these administrators was obtained from a database developed by Judy Diamond, Inc. from Form 5500 filings. To maximize the response rate, plan administrators who did not return a survey by mail were contacted by telephone and asked to complete the survey by telephone. In all, responses were gathered for 342 plan sponsors (for a response rate of 14 percent). Of these, 100 plan sponsors answered on behalf of public sector organizations representing 29% of responding organizations. However, on a participant basis, public sector organizations represented almost 55 percent (2,819,812 out of 5,167,542) of active plan participants employed by sponsors with ongoing and/or frozen defined benefit formulas.

The survey questionnaire was developed by the Society of Actuaries. It asked respondents four questions:

1. How many pension plan participants the organization has in the United States
2. Whether the organization sponsors one or more defined benefit pension plans
3. If so, the number of participants in defined benefit plans, and
4. The type(s) of defined benefit pension plans sponsored, along with the number of participants in each type of plan

The full survey questionnaire can be found in Appendix B.

The margin of error for this study (at the 95 percent confidence level) is plus or minus 5.3 percentage points for questions that were asked of all 342 responding plan sponsors. Subgroup responses will have larger margins of error, depending on the size of the group. There are possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include non-response, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

The next section of this report presents the findings of the survey. Then, Appendix A shows a series of supplemental data tables that examine, for plan sponsors of varying participant sizes, a) the proportion of employees with each of the plan types listed in the survey and b) the proportion of sponsors that offer each of those types of plans. As mentioned above, Appendix B presents the questionnaire that was sent to plan administrators.

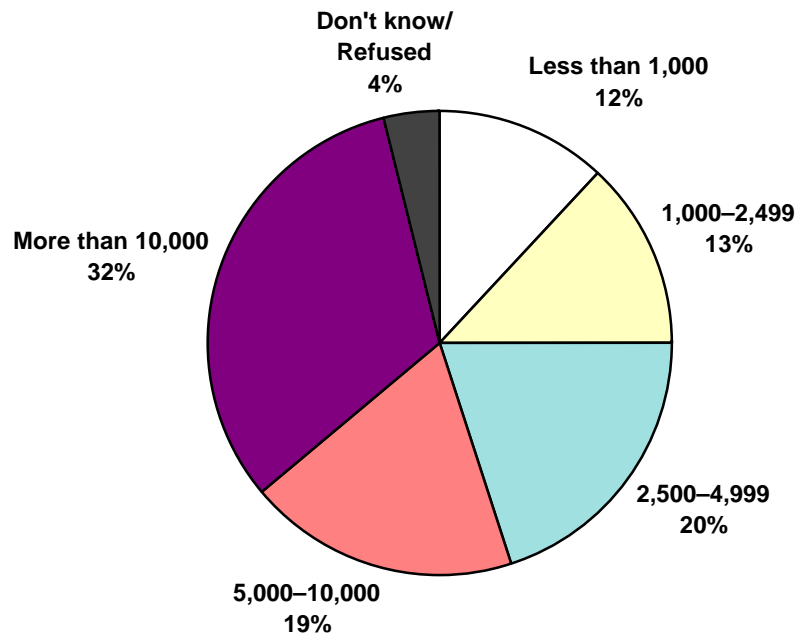
Throughout this report, the total sample size may not equal the sample sizes for the combined subgroup samples due to item non-response. In addition, data presented in this report may not total to 100 percent due to rounding and/or missing categories.

DETAILED REPORT OF FINDINGS

One-third of plan sponsors report having more than 10,000 employees who participate in a pension plan in the United States (32 percent). Another two in ten each indicate they have between 5,000 and 10,000 (19 percent) or between 2,500 and 4,999 (20 percent) participants. One-quarter of sponsors have fewer than 2,500 pension plan participants (25 percent).

Figure A
Number of Pension Plan Participants

Approximately how many pension plan participants does your company have in the United States? (n=342 plan sponsors)



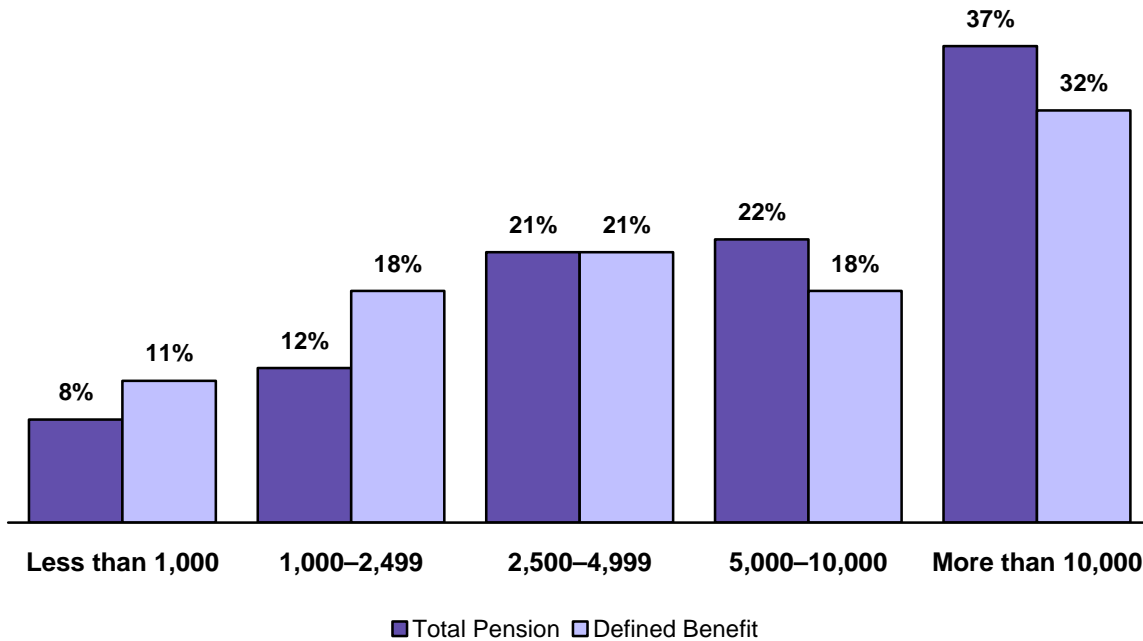
Eight in ten plan sponsors report that they offer one or more defined benefit pension plans (81 percent). One-third of these sponsors indicate they have more than 10,000 active defined benefit plan participants (32 percent), while two in ten each mention 5,000 to 10,000 (18 percent), 2,500 to 4,999 (21 percent), or 1,000 to 2,499 (18 percent) active participants. Only one in ten indicates they have fewer than 1,000 defined benefit plan participants (11 percent).

Figure B
Number of Total Pension and Defined Benefit Plan Participants

Approximately how many pension plan participants does your company have in the United States?

Approximately how many of your company’s active plan participants are in a defined benefit pension plan?

(among those sponsoring one or more DB plans, n=278 plan sponsors)



While the small sample size makes it difficult to detect statistically meaningful differences between the total number of active pension plan participants and defined benefit plan participants, it is clear that some organizations that sponsor a defined benefit plan do not offer all of their active plan participants the opportunity to participate in that plan. Two in ten respondents say they offer a defined benefit (DB) plan to fewer than their total number of pension plan participants (20 percent).

Figure C
Number of Defined Benefit Plan Participants
By Total Number of Pension Plan Participants

Approximately how many of your company’s active plan participants are in a defined benefit pension plan? (among plan sponsors sponsoring one or more DB plans, n=275 plan sponsors)

Number of Defined Benefit Plan Participants	Number of Pension Plan Participants				
	Less than 1,000 (n=22)	1,000–2,499 (n=34)	2,500–4,999 (n=57)	5,000–10,000 (n=60)	More than 10,000 (n=102)
Less than 1,000	100%	15%	5%	2%	--
1,000-2,499	--	85	23	7	2%
2,500-4,999	--	--	72	27	1
5,000-10,000	--	--	--	65	11
More than 10,000	--	--	--	--	86

Note: Three plan sponsors are omitted from this analysis due to conflicting data.

The majority of plan participants are in an ongoing traditional defined benefit plan only (62 percent). A small percentage—16 percent of participants —have an ongoing traditional defined benefit plus a cash balance plan benefit. Few are offered any other type of ongoing defined benefit formula. Three percent of plan participants have a frozen traditional defined benefit plan only. Even smaller proportions have some other type of frozen defined benefit formula.

Figure D
Total Participants Covered by Defined Benefit Formulas

Please provide the approximate number of your company's active plan participants who are currently covered by each of the following benefit formula types (ongoing and frozen indicated separately). (among active plan participants employed by plan sponsors with ongoing and/or frozen defined benefit formulas, n=5,167,542 participants)

	Total		Ongoing		Frozen	
	%	n	%	n	%	n
Total	100	5,167,542	96	4,957,332	4	210,210
Traditional defined benefit plan only	65	3,351,183	62	3,197,740	3	153,443
Traditional defined benefit plan plus cash balance plan benefit	16	840,180	16	828,041	*	12,139
Cash balance only	6	289,690	5	280,870	*	8,820
Greater of pension equity plan formula or cash balance plan benefit	2	104,889	2	80,804	*	24,085
Greater of traditional defined benefit plan or cash balance plan benefit	2	97,748	2	91,667	*	6,081
Pension equity plan formula only	1	71,554	1	70,944	*	600
Greater of traditional defined benefit plan or pension equity plan formula	1	64,832	1	60,090	*	4,742
Pension equity plan formula plus cash balance benefit	*	17,250	*	16,950	*	300
No defined benefit plan	6	330,226	6	330,226	--	--

*=Less than .5%

Note: Sponsors with participants in the "Other" category generally did not provide a participant count.

Figure E
Public-Sector Participants Covered by Defined Benefit Formulas

Please provide the approximate number of your organization’s active plan participants who are currently covered by each of the following benefit formula types (ongoing and frozen indicated separately). (among active plan participants employed by public-employer plan sponsors with ongoing and/or frozen defined benefit formulas, n=2,819,812 public-sector participants)

	Total		Ongoing		Frozen	
	%	n	%	n	%	n
Total	100	2,819,812	97	2,737,553	3	82,259
Traditional defined benefit plan only	75	2,128,072	73	2,071,298	2	56,774
Traditional defined benefit plan plus cash balance plan benefit	17	471,093	17	471,093	--	--
Greater of pension equity plan formula or cash balance plan benefit	3	89,789	2	65,704	1	24,085
Greater of traditional defined benefit plan or cash balance plan benefit	2	50,953	2	50,953	--	--
Cash balance only	1	31,450	1	31,450	--	--
Greater of traditional defined benefit plan or pension equity plan formula	1	17,290	1	15,990	*	1,300
Pension equity plan formula only	*	5,644	*	5,544	*	100
Pension equity plan formula plus cash balance benefit	*	1,250	*	1,250	--	--
No defined benefit plan	1	24,271	1	24,271	--	--

*=Less than .5%

Note: Sponsors with participants in the “Other” category generally did not provide a participant count.

Figure F
Private-Sector Participants Covered by Defined Benefit Formulas

Please provide the approximate number of your company's active plan participants who are currently covered by each of the following benefit formula types (ongoing and frozen indicated separately). (among active plan participants employed by private-employer plan sponsors with ongoing and/or frozen defined benefit formulas, n=2,347,730 private-sector participants)

	Total		Ongoing		Frozen	
	%	n	%	n	%	n
Total	100	2,347,730	95	2,219,779	5	127,951
Traditional defined benefit plan only	52	1,223,111	48	1,126,442	4	96,669
Traditional defined benefit plan plus cash balance plan benefit	16	369,087	15	356,948	1	12,139
Cash balance only	11	258,240	11	249,420	*	8,820
Pension equity plan formula only	3	65,900	3	65,400	*	500
Greater of traditional defined benefit plan or pension equity plan formula	2	47,542	2	44,100	*	3,442
Greater of traditional defined benefit plan or cash balance plan benefit	2	46,795	2	40,714	*	6,081
Pension equity plan formula plus cash balance benefit	1	16,000	1	15,700	*	300
Greater of pension equity plan formula or cash balance plan benefit	1	15,100	1	15,100	--	--
No defined benefit plan	13	305,955	13	305,955	--	--

*=Less than .5%

Note: Sponsors with participants in the "Other" category generally did not provide a participant count.

Public-sector plan participants are far more likely than private-sector participants to have pension coverage through an ongoing traditional defined benefit plan only. Nearly three-quarters of public-sector plan participants are in an ongoing traditional defined benefit plan only (73 percent), compared with less than half of private sector plan participants (48 percent). In contrast, private sector participants are more likely to have an ongoing cash balance plan only (15 percent versus 1 percent) or to have no defined benefits (13 percent versus 1 percent).

Plan administrators report similar benefit formulas regardless of plan size. However, those in the smallest category (with fewer than 2,500 pension participants) are less likely than others to cover employees with an ongoing traditional defined benefit plan only formula (38 percent). In addition, the likelihood of offering some employees no defined benefit formula at all decreases as size increases.

Nearly nine in ten organizations sponsoring a defined benefit plan report that at least some of their employees are offered a defined benefit plan only (88 percent). Only about one plan sponsor in ten offers some employees a cash balance plan only (14 percent), a traditional defined benefit plan plus a cash balance plan benefit (14 percent), or the greater of a traditional defined benefit or cash balance plan benefit (10 percent). Even smaller proportions of sponsors offer some employees a pension equity plan formula only (5 percent), the greater of a traditional defined benefit plan or pension equity plan formula (5 percent), the greater of a pension equity plan formula or cash balance plan benefit (2 percent), or pension equity plan formula plus cash balance benefit (2 percent). Note that some plan sponsors may have a single pension arrangement for all eligible employees while others may have multiple arrangements, offering different pension plans to different classes of employees.

While far fewer plan sponsors have plans with frozen benefits than ongoing benefits, traditional defined benefit plan only formulas predominate among both groups. Moreover, sponsors with frozen benefits tend to be as likely as those with ongoing benefits to report having the other types of plans. This pattern holds regardless of plan size.

It should also be noted that a sizable minority of number of plan sponsors have some type of frozen benefit (27 percent), yet the proportion of participants with some type of frozen benefit is quite small (4 percent).

Figure G
Percentage of Organizations Sponsoring Defined Benefit Formulas

Please provide the approximate number of your company's active plan participants who are currently covered by each of the following benefit formula types.
 (among plan sponsors reporting active participants with ongoing and/or frozen benefits from one or more defined benefit formulas)

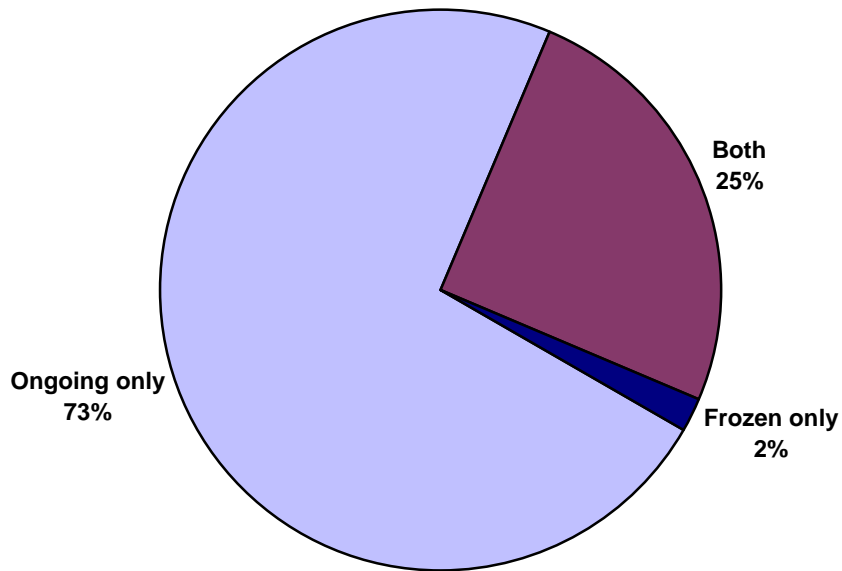
	All Sponsors With DB Plans (n=264)	All Sponsors With Ongoing Plans (n=262)	All Sponsors With Frozen Plans (n=70)
Traditional defined benefit plan only	88%	86%	80%
Cash balance plan only	14%	14%	4%
Traditional defined benefit plan plus cash balance plan benefit	14%	14%	16%
Greater of traditional defined benefit plan or cash balance plan benefit	10%	8%	9%
Pension equity plan formula only	5%	5%	3%
Greater of traditional defined benefit plan or pension equity plan formula	5%	4%	7%
Greater of pension equity plan formula or cash balance plan benefit	2%	2%	1%
Pension equity plan formula plus cash balance benefit	2%	2%	1%
Other	3%	2%	1%
No defined benefit plan	25%	26%	--

Note: Some plan sponsors may have a single pension arrangement for all eligible employees while others may have multiple arrangements, offering different pension formulas to different classes of employees.

The vast majority of plan sponsors with defined benefit plans continue to offer at least one ongoing plan. While nearly three-quarters report having only ongoing plans (73 percent), one-quarter reports having both ongoing and frozen plans (25 percent). Just two percent of responding sponsors indicate they only offer defined benefit plans with frozen benefits.

Figure H
Plan Sponsors With Ongoing Versus Frozen Defined Benefit Plans

Please provide the approximate number of your company’s active plan participants who are currently covered by each of the following benefit formula types.
(among those reporting active participants with ongoing and/or frozen benefits from one or more defined benefit formulas, n=263 plan sponsors)



The large majority of plan sponsors without frozen plan benefits have a traditional defined benefit plan only (89 percent). Nearly eight in ten have just one type of plan (79 percent), 13 percent have two types of plans, while eight percent have three or more.

APPENDIX A: SUPPLEMENTAL TABLES

Participants Covered by Defined Benefit Formulas, Among Plan Sponsors With Fewer Than 2,500 Pension Plan Participants

Please provide the approximate number of your company's active plan participants who are currently covered by each of the following benefit formula types (ongoing and frozen indicated separately).

(among active plan participants employed by sponsors with ongoing and/or frozen defined benefit formulas, n=116,825 participants)

	Total		Ongoing		Frozen	
	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>
Total	100	116,825	88	102,264	12	14,561
Traditional defined benefit plan only	41	48,203	38	44,642	3	3,561
Greater of traditional defined benefit plan or cash balance plan benefit	12	13,770	8	9,070	4	4,700
Traditional defined benefit plan plus cash balance plan benefit	11	12,678	8	9,038	3	3,640
Greater of traditional defined benefit plan or pension equity plan formula	7	7,650	5	5,290	2	2,360
Cash balance only	6	6,433	6	6,433	--	--
Greater of pension equity plan formula or cash balance plan benefit	2	1,840	2	1,840	--	--
Pension equity plan formula only	1	840	1	840	--	--
Pension equity plan formula plus cash balance benefit	1	600	*	300	*	300
No defined benefit plan	21	24,811	21	24,811	--	--

*=Less than .5%

Note: Sponsors with participants in the "Other" category generally did not provide a participant count.

Participants Covered by Defined Benefit Formulas, Among Plan Sponsors With 2,500–4,999 Pension Plan Participants

Please provide the approximate number of your company’s active plan participants who are currently covered by each of the following benefit formula types (ongoing and frozen indicated separately).

(among active plan participants employed by sponsors with ongoing and/or frozen defined benefit formulas, n=222,485 participants)

	Total		Ongoing		Frozen	
	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>
Total	100	222,485	91	202,148	9	20,337
Traditional defined benefit plan only	70	156,010	63	140,073	7	15,937
Traditional defined benefit plan plus cash balance plan benefit	8	16,943	6	12,543	2	4,400
Cash balance only	3	6,402	3	6,402	--	--
Greater of traditional defined benefit plan or cash balance plan benefit	*	25	*	25	--	--
Greater of traditional defined benefit plan or pension equity plan formula	--	--	--	--	--	--
Pension equity plan formula plus cash balance benefit	--	--	--	--	--	--
Greater of pension equity plan formula or cash balance plan benefit	--	--	--	--	--	--
Pension equity plan formula only	--	--	--	--	--	--
No defined benefit plan	19	43,105	19	43,105	--	--

*=Less than .5%

Note: Sponsors with participants in the “Other” category generally did not provide a participant count.

Participants Covered by Defined Benefit Formulas, Among Plan Sponsors With 5,000–10,000 Pension Plan Participants

Please provide the approximate number of your company’s active plan participants who are currently covered by each of the following benefit formula types (ongoing and frozen indicated separately).

(among active plan participants employed by sponsors with ongoing and/or frozen defined benefit formulas, n=437,400 participants)

	Total		Ongoing		Frozen	
	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>
Total	100	437,400	92	401,753	8	35,647
Traditional defined benefit plan only	64	279,083	58	255,799	5	23,284
Traditional defined benefit plan plus cash balance plan benefit	7	32,172	7	31,073	*	1,099
Cash balance only	6	28,265	4	19,465	2	8,800
Greater of traditional defined benefit plan or cash balance plan benefit	6	25,341	6	24,059	*	1,282
Greater of traditional defined benefit plan or pension equity plan formula	3	12,882	3	11,800	*	1,082
Pension equity plan formula only	1	4,147	1	4,047	*	100
Pension equity plan formula plus cash balance benefit	*	1,250	*	1,250	--	--
Greater of pension equity plan formula or cash balance plan benefit	*	1,250	*	1,250	--	--
No defined benefit plan	12	53,010	12	53,010	--	--

*=Less than .5%

Note: Sponsors with participants in the “Other” category generally did not provide a participant count.

Participants Covered by Defined Benefit Formulas, Among Plan Sponsors With More Than 10,000 Pension Plan Participants

Please provide the approximate number of your company’s active plan participants who are currently covered by each of the following benefit formula types (ongoing and frozen indicated separately).

(among active plan participants by sponsors with ongoing and/or frozen defined benefit formulas, n=4,388,175 participants)

	Total		Ongoing		Frozen	
	%	n	%	n	%	n
Total	100	4,388,175	97	4,248,510	3	139,665
Traditional defined benefit plan only	65	2,867,887	63	2,757,226	3	110,661
Traditional defined benefit plan plus cash balance plan benefit	18	778,387	18	775,387	*	3,000
Cash balance only	6	248,590	6	248,570	*	20
Greater of pension equity plan formula or cash balance plan benefit	2	101,799	2	77,714	1	24,085
Pension equity plan formula only	1	63,900	1	63,400	*	500
Greater of traditional defined benefit plan or cash balance plan benefit	1	58,612	1	58,513	*	99
Greater of traditional defined benefit plan or pension equity plan formula	1	44,300	1	43,000	*	1,300
Pension equity plan formula plus cash balance benefit	*	15,400	*	15,400	--	--
No defined benefit plan	5	209,300	5	209,300	--	--

*=Less than .5%

Note: Sponsors with participants in the “Other” category generally did not provide a participant count.

Percentage of Plan Sponsors With Defined Benefit Formulas, Among Those With Fewer Than 2,500 Pension Plan Participants

Please provide the approximate number of your company’s active plan participants who are currently covered by each of the following benefit formula types.

(among sponsors reporting active participants with ongoing and/or frozen benefits from one or more defined benefit formulas)

	All Sponsors With DB Plans (n=52)	All Sponsors With Ongoing Plans (n=52)	All Sponsors With Frozen Plans (n=16)
Traditional defined benefit plan only	87%	79%	69%
Greater of traditional defined benefit plan or cash balance plan benefit	23%	19%	19%
Traditional defined benefit plan plus cash balance plan benefit	21%	19%	31%
Cash balance plan only	19%	19%	--
Greater of traditional defined benefit plan or pension equity plan formula	13%	10%	19%
Greater of pension equity plan formula or cash balance plan benefit	4%	4%	--
Pension equity plan formula only	2%	2%	--
Pension equity plan formula plus cash balance benefit	2%	2%	6%
Other	2%	--	6%
No defined benefit plan	33%	33%	--

Note: Some plan sponsors may have a single pension arrangement for all eligible employees while others may have multiple arrangements, offering different pension formulas to different classes of employees.

Percentage of Plan Sponsors With Defined Benefit Formulas, Among Those With 2,500–4,999 Pension Plan Participants

Please provide the approximate number of your company’s active plan participants who are currently covered by each of the following benefit formula types.

(among sponsors reporting active participants with ongoing and/or frozen benefits from one or more defined benefit formulas)

	All Sponsors With DB Plans (n=55)	All Sponsors With Ongoing Plans (n=54)	All Sponsors With Frozen Plans (n=17)
Traditional defined benefit plan only	89%	89%	94%
Traditional defined benefit plan plus cash balance plan benefit	11%	9%	18%
Cash balance plan only	7%	7%	--
Greater of traditional defined benefit plan or cash balance plan benefit	2%	2%	--
Greater of traditional defined benefit plan or pension equity plan formula	--	--	--
Pension equity plan formula only	--	--	--
Pension equity plan formula plus cash balance benefit	--	--	--
Greater of pension equity plan formula or cash balance plan benefit	--	--	--
Other	2%	2%	--
No defined benefit plan	31%	31%	--

Note: Some plan sponsors may have a single pension arrangement for all eligible employees while others may have multiple arrangements, offering different pension formulas to different classes of employees.

Percentage of Plan Sponsors With Defined Benefit Formulas, Among Those With 5,000–10,000 Pension Plan Participants

Please provide the approximate number of your company’s active plan participants who are currently covered by each of the following benefit formula types.

(among sponsors reporting active participants with ongoing and/or frozen benefits from one or more defined benefit formulas)

	All Sponsors With DB Plans (n=58)	All Sponsors With Ongoing Plans (n=57)	All Sponsors With Frozen Plans (n=18)
Traditional defined benefit plan only	90%	89%	78%
Cash balance plan only	17%	14%	11%
Traditional defined benefit plan plus cash balance plan benefit	14%	14%	11%
Greater of traditional defined benefit plan or cash balance plan benefit	12%	12%	11%
Pension equity plan formula only	7%	7%	6%
Greater of traditional defined benefit plan or pension equity plan formula	5%	5%	6%
Pension equity plan formula plus cash balance benefit	2%	2%	--
Greater of pension equity plan formula or cash balance plan benefit	2%	2%	--
Other	2%	2%	--
No defined benefit plan	30%	30%	--

Note: Some plan sponsors may have a single pension arrangement for all eligible employees while others may have multiple arrangements, offering different pension formulas to different classes of employees.

Percentage of Plan sponsors Sponsoring Defined Benefit Formulas, Among Those With More Than 10,000 Pension Plan Participants

Please provide the approximate number of your company’s active plan participants who are currently covered by each of the following benefit formula types.
 (among plan sponsors reporting active participants with ongoing and/or frozen benefits from one or more defined benefit formulas)

	All Sponsors With DB Plans (n=98)	All Sponsors With Ongoing Plans (n=98)	All Sponsors With Frozen Plans (n=19)
Traditional defined benefit plan only	87%	86%	79%
Cash balance plan only	14%	14%	5%
Traditional defined benefit plan plus cash balance plan benefit	13%	13%	5%
Pension equity plan formula only	6%	6%	5%
Greater of traditional defined benefit plan or cash balance plan benefit	5%	4%	5%
Greater of traditional defined benefit plan or pension equity plan formula	3%	3%	5%
Greater of pension equity plan formula or cash balance plan benefit	3%	3%	5%
Pension equity plan formula plus cash balance benefit	2%	2%	--
Other	4%	4%	--
No defined benefit plan	16%	16%	--

Note: Some plan sponsors may have a single pension arrangement while others may have multiple arrangements, offering different pension formulas to different classes of employees.

APPENDIX B: SURVEY QUESTIONNAIRE



SOCIETY OF ACTUARIES

September 3, 2004

Dear Plan Sponsor,

The Society of Actuaries is conducting a short survey to assess how defined benefit pensions could be affected by legislation and litigation involving these increasingly prevalent plan designs. Your response to the attached survey will help us inform public policy makers and other interested parties about how current events are affecting the defined benefit marketplace.

Please take a few minutes to complete this survey and return it (by fax – 202-686-2512 – or in the enclosed postage-paid envelope) to Mathew Greenwald & Associates, Inc., by **September 24th**. Although we realize that it is a short timeline, the Society is hoping you will respond quickly so that this information will be available when it is needed most.

Because your feedback is extremely important to the success of the survey, we have arranged for a market research firm, Mathew Greenwald & Associates, to call those companies that do not return a completed survey. Please be assured that all of your responses will be completely confidential and that the survey data is being gathered by an unbiased party. The Society of Actuaries is a research organization and does not take positions on public policy issues.

We have made every effort to keep the survey as brief and simple as possible, but we realize that many pension plan designs are quite complex. For this reason, we have included a description of the pension plan of a fictitious company in this booklet, and have shown how it would complete the survey. We have also included some key definitions on the last page. If you have any questions about how the survey should be completed for your company, please contact Steven Siegel, Research Actuary of the SOA, at 847-706-3578 or ssiegel@soa.org. You may also contact him through Greenwald & Associates at mga@greenwaldresearch.com.

Thank you very much for your time and input.

Sincerely,

A handwritten signature in black ink that reads "Neil Parmenter".

Neil Parmenter, FSA, MAAA
President
Society of Actuaries

475 N. Martingale Rd., Ste. 600
Schaumburg, IL 60173
847.706.3500 main
847.706.3599 fax
www.soa.org

Fictitious American Sausage Company

The American Sausage Company has 50,000 United States employees. It also owns FR Bakery, which has 5,000 employees. Recently, it acquired Omaha Butcher Company. Omaha Butcher has 10,000 employees. Consequently, there are 65,000 employees in total in the control group.

American Sausage has a union and non-union pension plan. The union pension plan has 35,000 participants and is a traditional defined benefit pension plan. The non-union pension plan was a traditional defined benefit pension plan. However, all employees hired on or after January 1, 2000 now have a cash balance formula. There are 14,000 non-union pension plan members hired before 2000, and 1,000 non-union members hired after 1999.

FR Bakery employees do not have a defined benefit pension plan. The Omaha Butcher pension plan was recently frozen and is a traditional defined benefit plan.

Prevalence of Traditional and Hybrid Defined Benefit Pension Plans

The Society of Actuaries is conducting a short survey to measure the use of different types of defined benefit plans among major companies. Please take a few minutes to complete this survey by checking the appropriate boxes. Once you have completed it, please return it by September 24th in the enclosed postage-paid envelope. Thank you very much for your time and input.

1. What company do you work for? American Sausage

2. Approximately how many pension plan participants does your company* have in the United States?

<input type="checkbox"/> ₁ Less than 1,000	<input type="checkbox"/> ₄ 5,000-10,000
<input type="checkbox"/> ₂ 1,000-2,499	<input checked="" type="checkbox"/> ₅ More than 10,000
<input type="checkbox"/> ₃ 2,500-4,999	<input type="checkbox"/> ₆ Don't know

3. Does your company* sponsor one or more defined benefit pension plans?

<input checked="" type="checkbox"/> ₁ Yes	<input type="checkbox"/> ₂ No Please Skip to Question 6.	<input type="checkbox"/> ₃ Don't know Please Skip to Question 6.
--	---	---

4. Approximately how many of your company's* active plan participants are in a defined benefit pension plan?

<input type="checkbox"/> ₁ Less than 1,000	<input type="checkbox"/> ₄ 5,000-10,000
<input type="checkbox"/> ₂ 1,000-2,499	<input checked="" type="checkbox"/> ₅ More than 10,000
<input type="checkbox"/> ₃ 2,500-4,999	<input type="checkbox"/> ₆ Don't know

5. In the spaces below, please provide the approximate number of your company's* active plan participants who are currently covered by each of the following benefit formula types. (Please refer to the page of definitions if necessary.)

	Number of Active Participants Whose Benefits are <u>Ongoing</u>	Number of Active Participants Whose Benefits are <u>Frozen</u>
a. Traditional Defined Benefit Plan Plus Cash Balance Plan Benefit		
b. Greater of Traditional Defined Benefit Plan or Cash Balance Plan Benefit		
c. Greater of Traditional Defined Benefit Plan or Pension Equity Plan Formula		
d. Traditional Defined Benefit Plan Only	49,000	10,000
e. Cash Balance Only	1,000	
f. Pension Equity Plan Formula Plus Cash Balance Plan Benefit		
g. Greater of Pension Equity Plan Formula or Cash Balance Plan Benefit		
h. Pension Equity Plan Formula Only		
i. No Defined Benefit Plan	5,000	
j. Other (please describe): _____		

6. What is your title? _____

* Please include information about all of your company's subsidiaries, if applicable.

Thank you for taking the time to fill out this questionnaire. Please return it by fax (202-686-2512) or in the enclosed postage-paid envelope to Mathew Greenwald & Associates, Inc. by September 24th.

Prevalence of Traditional and Hybrid Defined Benefit Pension Plans

The Society of Actuaries is conducting a short survey to measure the use of different types of defined benefit plans among major companies. Please take a few minutes to complete this survey by checking the appropriate boxes. Once you have completed it, please return it by September 24th in the enclosed postage-paid envelope. Thank you very much for your time and input.

1. What company do you work for? _____

2. Approximately how many pension plan participants does your company* have in the United States?

<input type="checkbox"/> ₁ Less than 1,000	<input type="checkbox"/> ₄ 5,000-10,000
<input type="checkbox"/> ₂ 1,000-2,499	<input type="checkbox"/> ₅ More than 10,000
<input type="checkbox"/> ₃ 2,500-4,999	<input type="checkbox"/> ₆ Don't know

3. Does your company* sponsor one or more defined benefit pension plans?

<input type="checkbox"/> ₁ Yes	<input type="checkbox"/> ₂ No Please Skip to Question 6.	<input type="checkbox"/> ₃ Don't know Please Skip to Question 6.
---	---	---

4. Approximately how many of your company's* active plan participants are in a defined benefit pension plan?

<input type="checkbox"/> ₁ Less than 1,000	<input type="checkbox"/> ₄ 5,000-10,000
<input type="checkbox"/> ₂ 1,000-2,499	<input type="checkbox"/> ₅ More than 10,000
<input type="checkbox"/> ₃ 2,500-4,999	<input type="checkbox"/> ₆ Don't know

5. In the spaces below, please provide the approximate number of your company's* active plan participants who are currently covered by each of the following benefit formula types. (Please refer to the page of definitions if necessary.)

	Number of Active Participants Whose Benefits are <u>Ongoing</u>	Number of Active Participants Whose Benefits are <u>Frozen</u>
a. Traditional Defined Benefit Plan Plus Cash Balance Plan Benefit		
b. Greater of Traditional Defined Benefit Plan or Cash Balance Plan Benefit		
c. Greater of Traditional Defined Benefit Plan or Pension Equity Plan Formula		
d. Traditional Defined Benefit Plan Only		
e. Cash Balance Only		
f. Pension Equity Plan Formula Plus Cash Balance Plan Benefit		
g. Greater of Pension Equity Plan Formula or Cash Balance Plan Benefit		
h. Pension Equity Plan Formula Only		
i. No Defined Benefit Plan		
j. Other (please describe): _____		

6. What is your title? _____

* Please include information about all of your company's subsidiaries, if applicable.

Thank you for taking the time to fill out this questionnaire. Please return it by fax (202-686-2512) or in the enclosed postage-paid envelope to Mathew Greenwald & Associates, Inc. by September 24th.

Definitions for Survey on Prevalence of Traditional and Hybrid Defined Benefit Pension Plans

“Frozen” vs. “Currently Accruing Additional Benefits”: Some plans have frozen benefits. By frozen benefits we mean that no additional accruals are occurring (neither additional benefit accrual service nor adjustments for salary increases). By currently accruing benefits we mean the opposite is occurring: there are additional benefits being earned every year.

Combination Formulas: For some plans it may be difficult to decide which formula type applies or how many participants fall in different categories. Formulas that are legacies of old plan provisions or that seldomly apply can be ignored. Head counts can be approximate. For example, if a plan was converted to a cash balance plan three years ago and still has a minimum traditional formula accrued benefit, it can be treated as a cash balance only plan.

Cash Balance Plan Formula: A Cash Balance plan is a type of defined benefit (DB) plan that is designed to look like a defined contribution (DC) plan. Cash Balance plans have theoretical accounts for each active participant that, like a DC plan, are credited with a contribution each year (such as 3% of pay) as well as a defined interest credit (either a flat rate or tied to a type of investment, such as 52-week Treasuries). The participants usually do not contribute to the accounts, unlike a DC plan. At termination of employment or retirement, the account balance can usually be paid either as a lump sum or converted to an annuity based on conversion factor described in the plan document. In practice, the basic benefit formula is written in terms of a lump sum and most benefits are paid in the form of a lump sum and not an annuity.

Pension Equity Plan Formula: A Pension Equity plan is also a type of defined benefit (DB) plan. The benefit is usually defined as a final average pay plan with the benefit defined in terms of a lump sum (e.g. lump sum = 5% x years of service x final average pay). Like Cash Balance plans, they have theoretical accounts for participants but these accounts usually grow with pay increases and not interest.

Traditional Defined Benefit Plan Formula: Traditional defined benefit plan formulas define the benefit in terms of an annuity payable at normal retirement age. Benefits could be related to salary (e.g. 1% x final average salary x years of service) or not related to salary (e.g. \$50 per month x years of service). While the plan may offer a lump sum option, the lump sum amount is based on the actuarial equivalent of the monthly annuity. For the purpose of the survey, the type and number of traditional formulas do not matter.