

Pension Plan Surplus: What to Give and How to Give It

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Abstract

When a pension plan surplus reaches a high level, distributing some of it may be desirable. We propose a percentile-based criterion for deciding how much to give. We notice that conservative valuation bases may translate into smaller amounts available for distribution. We also highlight the impact of the mode of the distribution (cash versus benefit enhancements) on the resulting probability of a future deficit.

