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Single Employer Target Benefit Plans: Issues for Consideration

By Jana Steele and Mary Kate Archibald

In this paper, we review recent developments in single employer target benefit pension legislation across Canada, highlighting some of the lessons learned and observations stemming from the early experiences of new single employer target benefit plans (TBPs). In particular, we focus on issues relating to TBPs with members in multiple jurisdictions, plan administration and actuarial review of TBPs.

The purpose of this paper is to highlight certain matters where legislators may wish to consider reforms for existing TBPs and, as other jurisdictions contemplate TBPs, may wish to incorporate improvements. In this paper, we do not address specific income tax issues related to TBPs.

Although target benefits have existed in the multiemployer sector in many jurisdictions for years, target benefits were not available to single employers until recently. In 2012, New Brunswick implemented changes to its Pension Benefits Act[1] (the NB PBA) to provide a framework for TBPs (known in New Brunswick as shared risk plans) registered in that province. Additionally, there is now comprehensive target benefit legislation in force in Alberta and British Columbia. Quebec also has target benefit legislation that applies to certain employers in the pulp and paper sector. Saskatchewan recently introduced regulations to accommodate limited liability plans, which are a form of TBP for collectively bargained plans. Other provinces such as Nova Scotia have also contemplated such legislation, although the full framework is not yet in place.

By way of example, in this paper we focus our points of review on the experiences coming from New Brunswick's shared risk regime, although our commentary in many cases would apply to a single employer target benefit plan established in any province.

New Brunswick Shared Risk: Background

It has been almost seven years since New Brunswick implemented changes to the NB PBA to enable shared risk plans as a design option. Numerous plans in the public sector, and a few in the private sector, have converted to shared risk under the NB PBA (or under special legislation in some cases), with the first plans converting in 2012.

As many are aware, the biggest issue confronting New Brunswick's shared risk model has been certain court challenges launched regarding the conversion of the Public

[1] Pension Benefits Act, SNB 1987, ch. P-5.1.

Service Superannuation Act to a shared risk plan.[2] The three lawsuits relate to the plan's conversion under specific legislation and not the shared risk regime under the NB PBA. Also, none of these lawsuits has yet been heard on its merits. We do not discuss the conversion issue or these lawsuits in this paper.

In the next three sections, we will discuss issues relating to single employer TBPs with members in multiple jurisdictions, to plan administration, and to actuarial review of TBPs.

TBPs With Members in Multiple Jurisdictions

Because many jurisdictions do not yet have comprehensive target benefit legislation, complications can arise where a single employer TBP has members in various provinces. This is largely due to the fact that pension standards legislation is minimum standards legislation designed to protect members.

In this section of the paper, we consider, for example, a situation where a TBP is registered in New Brunswick but includes a number of Ontario members. We discuss issues related to benefit reductions, marriage breakdown and termination.[3]

BENEFIT REDUCTIONS

The shared risk regime provides that shared risk plans must have a funding policy, which must contain a funding deficit recovery plan. The funding deficit recovery plan must provide, as a final step, that past base benefits and future base benefits must be reduced by a sufficient amount to meet certain funding tests.[4] That is, the regulations under the NB PBA require reductions to accrued benefits in certain circumstances. This can be contrasted with pension standards legislation in most jurisdictions. Generally, an amendment is void if it purports to reduce a benefit that has accrued. This is the case under section 14 of the Pension Benefits Act[5] (the ON PBA; Ontario).

Accordingly, if the New Brunswick shared risk plan ran into significant funding problems such that reductions to base benefits were necessary, the benefits could not be reduced in respect of the Ontario members. This would be an inequitable result, because only the New Brunswick members would bear the cuts. While this situation isn't entirely new (note, for example, multijurisdictional target benefit multi-employer pension plans [MEPPs] with members in Quebec and New Brunswick), it represents a challenge for single employer target benefits plans.

[2] An Act Respecting Pensions under the Public Service Superannuation Act, SNB 2013, c. 44.

[3] Note that this issue could also present itself even in jurisdictions with TBP legislation, to the extent it differs from the TBP or shared risk plans legislation in the other jurisdiction.

[4] New Brunswick Regulation 2012-75 under the NB PBA (the Shared Risk Regulations), subsection 11(5).

[5] Pension Benefits Act, R.S.O. 1990, ch. P.8

MARRIAGE BREAKDOWN

Under the shared risk regime, any references to commuted value in Part 1 of the NB PBA are read as references to "termination value" for purposes of Part 2 of the NB PBA (the shared risk provisions).[6] The termination value reflects the funded position of the shared risk plan as of the most recent annual actuarial valuation date. The termination value is determined based on the funding policy liability basis and is adjusted for the funded ratio of the plan. On marriage breakdown, the NB PBA provides for a division of the pension in accordance with a decree, order, or judgment of a competent tribunal based on the commuted value of the benefit.[7] In the case of a marriage breakdown of a shared risk regime plan member, the pension division will be based on the benefit's termination value.[8]

If we again consider our example of a shared risk plan registered in New Brunswick and an Ontario member with a marriage breakdown, inequity can arise. If the shared risk plan was not fully funded as of the last actuarial valuation, this would be reflected in the termination value, and that would be divided under the NB PBA. However, because this member and the member's spouse resided in Ontario, the marriage breakdown rules in Ontario would apply. In Ontario, for a defined benefit plan, the member's commuted value of benefits is generally used for calculation of the payment on marriage breakdown. In this case, the Ontario member's spouse may receive more than half the value of what the member would eventually receive on a funding policy liability basis, if the member terminated the next day.[9] This is clearly an inequitable result from the plan member's point of view.

TERMINATION

As set out above, under the shared risk regime, any references to commuted value in Part 1 of the NB PBA are read as references to termination value for purposes of Part 2 of the NB PBA. On termination of employment, a member is entitled to transfer the commuted value of the deferred pension in accordance with the NB PBA and the regulations thereunder. In the case of a termination of a shared risk plan member, the member will be entitled to portability based on the termination value of the pension. Again, the termination value reflects the funded position of the plan as of the last filed actuarial valuation.

If an Ontario shared risk plan member terminated employment, the individual would be entitled to portability based on the ON PBA. Under section 42 of the ON PBA, the determination of the amount that could be transferred would be based on the commuted value of the member's pension. In the case of an underfunded shared risk plan, and in our current low-interest-rate environment, the terminated Ontario member would be able to transfer more out of the plan than a terminated New Brunswick member could

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[6] NB PBA, subsection 100.3(2).

[7] NB PBA, section 44.

[8] NB PBA, subsection 100.3(2) and 100.62(6).

[9] Although unlikely, it is possible that the termination value could be more than the commuted value.

and also arguably more than the plan could afford to pay. This is an inequitable result from the plan's and other plan members' point of view.

ALTERNATIVES FOR RESOLUTION

To address the three multijurisdictional issues, legislative amendments in provinces without target benefit legislation are required. If all provinces adopted a target benefit regime with some basic similarities, then there could be equal treatment across the provinces. Alternatively, provinces that do not have their own target benefit rules could provide that their residents, who participate in TBPs registered in another province, become subject to the target benefit regime of the province of registration with respect to rules such as those pertaining to marriage breakdown and portability. Recognizing that this would be unlikely, another alternative would be for these issues to be addressed in the new Agreement Respecting Multi-Jurisdictional Pension Plans, which ideally all provinces would sign onto.

Resolution of some of the inequities relating to the differing measures of benefit value on settlement from a shared risk plan may also be resolved under future actuarial standards on determining pension commuted values, because consideration is being given to an asset share approach for plans that fall into the category of TBPs.[10]

Plan Administration

In this section, we discuss certain administrative issues that may arise in the administration and investment of TBPs.

MEMBER COMMUNICATION

There is a spectrum of possible target benefit plan designs, ranging from defined-contribution-like plans where the contribution levels remain fixed and the benefit levels fluctuate with a higher probability in line with plan experience to the defined-benefit-like plans that provide for a high probability of maintaining the target benefit and allow some level of fluctuation in the contribution levels. Key to the successful management of a single employer TBP is to clearly articulate to all stakeholders—including current and retired members, committee members, trustees, the plan sponsor and regulators—the nature of the specific TBP deal.

In a traditional defined benefit plan, the benefit promise is communicated to the member, while the sponsor absorbs the risks to ensure paying the promised benefit. The members may be unaware of the risks the sponsor bears in such plans. However, shifting along the risk spectrum requires clear and robust communication of the nature of the targeted benefit, as well as the potential risks that all stakeholders bear in a TBP. Members need to understand the distinction between a target benefit and

[10] Exposure Draft, Amendments to Section 3500 of the Practice-Specific Standards for Pension Plans—Pension Commuted Values Actuarial Standards Board, Document 217075 (July 2017).

a promised or defined benefit. They need to understand the modeled likelihood of achieving the full targeted benefit and the downside risks to the member, in particular when the member has previously participated in a defined benefit plan.

The success of a single employer TBP depends on the ongoing success of the plan sponsor.[11] Unexpected changes in the overall level of payroll for a single employer TBP sponsor can lead to significant changes in the TBP's outlook, including, for example, the plan's failure to maintain the high degrees of certainty around providing target benefits as is modeled in New Brunswick shared risk plans. All stakeholders must enter into the plan with this clear understanding: that the plan, and its supporting sponsor and payroll base, may be set up as an assumed going concern, when—with a single employer as sponsor—the risk that this may not unfold is not insignificant.

With target benefit legislation, we have generally observed additional disclosure requirements. For example, under the NB PBA, certain information is required to be disclosed to members, including the requirement to provide plain language disclosure to members that the contributions are limited to those permitted under the funding policy and that benefits may be reduced.[12] However, until there is a circumstance where benefits are negatively impacted, it is difficult to assess the effectiveness of the communications.

INVESTMENTS

Shared risk plans, due to certain requirements under the regime, generally have a different asset mix when compared to other plans of similar sizes. Specifically, these plans will have longer-term asset classes and frequently invest in alternatives such as real estate, infrastructure and private equity. While a comprehensive discussion of the potential legal issues related to such alternative investments is well beyond the scope of this paper, we want to highlight the following issues.

With any investment, there is the requirement to comply with the plan's investment policy and the applicable pension standards legislation and regulations, as well as the Income Tax Act (ITA; Canada). Although most provinces incorporate by reference the investment restrictions set out under Schedule III to the regulations under the federal Pension Benefits Standards Act, 1985, New Brunswick is one province that does not. New Brunswick has its own investment provisions that must be respected. There may be a need to negotiate specific terms in a side letter to address pension investment restrictions.

Compliance with the ITA may necessitate the use of a blocker entity to ensure that any borrowing is not attributed back to the plan. Under the regulations to the ITA, borrowing by a pension plan is only permissible in limited circumstances. Where a particular

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[11] For defined benefit plans, the benefit is only guaranteed to the extent that the plan sponsor is able to pay. Over the past several years, there have been numerous high-profile corporate insolvencies, where defined benefit pensions have been negatively impacted.

[12] Shared Risk Regulations, subsection 20(2).

investment is structured as a partnership, for example, depending on the jurisdiction of the partnership, the partnership's borrowing may be imputed to the limited partners. Where this is the case, a pension plan will generally use a blocker for the investment.

Finally, depending on the investment, there can be significant U.S. tax consequences that need to be addressed. Issues related to investments in alternative asset classes are extremely complex. Where any pension plan is considering such investments, legal counsel should be engaged to review and negotiate the transaction.

JOINT GOVERNANCE

For traditional multiemployer pension plans, the administrator is typically required to be a board of trustees, at least half of whom are representatives of the MEPP members.[13] This is not necessarily the case for shared risk plans or TBPs. In New Brunswick, for example, the legislation requires that a shared risk plan be administered by "a trustee, a board of trustees or a non-profit corporation."[14] The NB PBA does not, however, specify a minimum number of trustees or require that employee or retiree representatives be members of a board of trustees.

There is an argument to be made for joint governance, or, at a minimum, a requirement for member and/or retiree representation on a board of trustees—in particular for shared risk plans and TBPs where members bear the risk of reduced benefits. Joint governance can help bring different perspectives to plan administration and governance, including member and potentially retiree perspectives. However, recognizing that it can be a more expensive administration model to maintain, joint governance should not be mandatory for all pension plans. For example, smaller pension plans may be better suited to other models of administration. Further, there is a strong case to be made for qualified independent trustees on any pension boards of trustees. Independent trustees, who have pension expertise, can assist boards of trustees in fulfilling their fiduciary obligations.

Actuarial Review of TBPs

In this section of the paper, we discuss certain complexities relating to the actuarial review of TBPs.

ECONOMIC ASSUMPTIONS

New Brunswick requires a risk management test to be performed on plan conversion to shared risk. This risk management test models a 20-year stochastic asset-liability projection to assess the sustainability of the shared risk plan, reflecting the plan's investment policy, funding policy (which includes the funding excess utilization and funding deficit recovery plans), and benefit provisions. In particular, the risk management test must

[13] See, for example, paragraph 8(1)(e) of the ON PBA.
[14] Subsection 100.5(1) of the NB PBA.

assess the probability of past base benefits being reduced, which is the last step taken in the funding policy in situations when the plan is underfunded. The regulatory requirement for these plans is that, on conversion to a shared risk plan (or at certain other points in time), there must be at least a 97.5 percent chance that the past base benefits will not be reduced during the next 20-year period.

Generally, the shared risk plan is designed on conversion with adequate funding levels such that base benefits can be provided with this required high level of certainty. Underlying the actuarial models that make this assessment is a stochastic range of economic outcomes. Typically, there would be 1,000 to 5,000 examples of plausible investment scenarios ranging from catastrophic economic crashes to booms and everything in between.

It is the crashes, or the sustained poor investment results, that would lead to failures of the shared risk plan to maintain those past benefits in the risk management test's model. Thus, the results of the required risk management test are highly sensitive to the frequency and magnitude of the model's economic crashes. Therefore, two legitimate and justifiable risk management models could result in very different results, or funding policies, simply because the model's economic input outliers differ.

It is arguable that, given that the risk management test is key to the development of the plan design (e.g., to set its funding requirements and benefit levels), and given that these items are highly sensitive to a model's inputs, additional guidance or legislation may be beneficial. For example, actuarial standards or guidance (as the Canadian Institute of Actuaries is currently reviewing) could be introduced to assist actuaries in setting and/or disclosing economic inputs.[15] Even if such standards are introduced, it is possible that governments may legislate minimum funding standards (e.g., a minimum provision for adverse deviation on funding targets), which override such standards to provide an additional level of benefit security.

Conclusions

The introduction of legislation to permit design alternatives, such as single employer TBPs, is a welcome change. Because employer-sponsored pension plans are voluntary, providing more design options may be beneficial and may encourage more employers to continue to provide pension coverage to their workforce.

In this paper, we have set out certain potential considerations that we have identified with single employer TBPs and, where appropriate, discussed possible avenues to

[15] See Faulds, Ty, and Tony Williams. 2016. Memorandum to all Fellows, Affiliates, Associates and Correspondents of the Canadian Institute of Actuaries and Other Interested Parties. Notice of Intent to Establish Standards of Practice in respect of Calibration of Stochastic Models used for the Purposes of Certification of Pension Plan Funding Requirements (new subsection 3270 Stochastic Modelling), June.

address them. We encourage governments to continue to implement legislative changes to accommodate different plan designs, such as target benefit. As with any new design, potential issues such as those identified in this paper may arise. Governments, regulators and actuarial standards boards, as appropriate, should consider appropriate changes and accommodations as plan designs evolve.

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Comments on

"Single Employer Target Benefit Plans: Issues for Consideration"

By Doug Chandler

Target benefit plans (TBPs) seem like a good idea whose time has come. Traditional pension plans may have started out as mere plans but, through a combination of ambiguous communication and creeping legislation, they would be better described today as pension promises. The cost of turning a plan in into a promise has been substantial.[1] For publicly traded companies, accountants' and investment analysts' scrutiny has fully exposed this cost.

Employer-sponsored savings plans (including defined contribution pension plans) have not fared better. Even while they were being promoted as a replacement for defined benefit (DB) pension plans, industry insiders understood that individual investment choice, the absence of risk pooling, and inadequate contribution rates would lead to disappointments. TBPs aim to achieve the advantages of risk pooling and expert asset allocation without the burdens of guarantees and individual choice.

To date, most of the research and commentary on TBPs has been from an actuarial perspective. Are these plans sustainable in the face of a wide range of market conditions? Is there a combination of rules for benefit adjustments, contribution adjustments and investment strategy that can be expected to deliver acceptable outcomes in almost all circumstances?[2] Jana Steele and Mary Kate Archibald look beyond this basic actuarial problem to the more practical, everyday problems that will arise with TBPs. Their insights will no doubt be helpful to legislators and industry insiders seeking to clear a path for TBPs' evolution and growth.

Their insights also highlight the fundamental challenge of moving beyond the established dichotomy between defined contribution (DC) and DB retirement income plans. As the authors point out, there is a spectrum of possible TBP designs between these two extremes. A New Brunswick shared risk plan (NB SRP) lies near the DB end of the spectrum. An Ontario Jointly Sponsored Pension Plan (JSPP) is a risk-sharing arrangement even closer to the pure DB end of the spectrum. In contrast, the Alberta and British Columbia Joint Expert Panel contemplated "Specified Contribution, Target Benefit" pension plans that would fall under the DC rules for corporate accounting.

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1 For a discussion of the differences between going concern funding and wind-up funding, see Chandler, Doug. 2018. *Settlement Cost Compared to Going Concern Funding Targets*. Society of Actuaries and Canadian Institute of Actuaries. *https://www.soa.org/research-reports/2018/settlement-cost*.

2 Sanders B. 2016. *Analysis of Target Benefit Plan Design Options*. Society of Actuaries. *https://www.soa.org/research-reports/2016/2016-target-benefit-plans*.

It is not surprising that these different perspectives lead to different conclusions about administrative matters.

The TBP design for New Brunswick public sector employees was determined to be a DB plan for Canadian public sector accounting purposes.[3] The range of potential employer contributions was too broad to be considered merely a variation in the value of current service, and the rules for adjusting contributions were too closely tied to funding for past service benefits. Although the accounting standards for Canadian private sector companies are different, the conclusion would likely be similar: For a target benefit plan to be classified as a DC plan under IAS 19, there can be no legal, moral or ongoing business requirement to fund deficits.[4] Under U.S. accounting standards (applicable to Canadian subsidiaries of U.S. companies and some major Canadian companies with U.S. securities listings), DC pension plans have an account balance for each member. Although beyond the scope of Steele and Archibald's research, similar considerations will determine the tax treatment of TBPs.

A target benefit plan at the DC end of the spectrum would be quite distinct from a NB SRP or a JSPP. Each plan member would have a notional share of the plan's assets. Even though this asset share might not be reported to the plan member or even determinable except as part of a full actuarial valuation of the plan, it would be possible to conceive of an allocation of the employer and employee contributions, the investment returns, and the actuarial gains and losses that reflects each plan member's individual target benefit and normal cost.

This is not to say that a TBP at the DC end of the spectrum must have fixed contributions with all gains and losses translated immediately into benefit adjustments or that this is a prerequisite for DC accounting treatment. The cost of retirement income varies with interest rates and age. Even a pure DC pension plan can have a contribution rate that is amended from time to time as circumstances warrant or a contribution formula that varies between plan members by age and service. The key to a TBP plan's long-term sustainability is that the contributions must make sense in the context of a broadly defined measure of value of the benefits that current plan members are earning. Surplus attributable to long-term members cannot be stripped away to provide unreasonably inexpensive benefits for new entrants. Deficits cannot lead to contribution rates so far beyond their value that they place the employer in an uncompetitive position in the labor market.

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[3] MacPherson K. 2015. *Report of the Auditor General 2015* Volume III, "Province of New Brunswick: Audit Observations on Pension Plans." *http://www.agnb-vgnb.ca/content/dam/agnb-vgnb/pdf/Reports-Rapports/2015V3/Chap3e.pdf.*

[4] "Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods." International Accounting Standard 19 Employee Benefits, paragraph 8. *http://www.frascanada.ca/international-financial-reporting-standards/resources/unaccompanied-ifrss/item45615.pdf.*

One feature of a NB SRP or a JSPP that would not be found further along the spectrum toward DC is the strong protection for basic benefits. In a variable annuity or collective DC arrangement, pensions would be adjusted every year. By design, increases would be more common than decreases, but decreases would not be unexpected. Participants in Canadian and U.S. variable annuities are accustomed to these fluctuations. Presumably, the conversion of a DC pension plan to this sort of collective DC arrangement would not lead to consternation, since DC pension plan members are used to seeing fluctuations in their projected monthly retirement income.

The challenge lies in the transition from a DB pension plan to any sort of TBP. The first generation of plan members expects negligible risk of benefit decreases. If this is achieved through conservative funding, then subsequent generations will probably receive a windfall. Any attempt to build reserves to protect against decreases in benefits leads to intergenerational inequities that—although not verboten—need to be carefully managed.

The natural consequence of a DC perspective on a TBP would be that the lump sum benefit payable upon termination of employment would be equal to the asset share, adjusted to the calculation date for investment experience. Similarly, marriage breakdown calculations would naturally follow DC principles. Nothing else would seem equitable, once it is accepted that each member's target benefit is linked to a share of the assets. In this context, increasing a member's asset share at the expense of other members simply because the individual received an unusually large pay increase could seem inequitable. Thus, a traditional final average earnings accrual formula could prove problematic.

In addition to the everyday administrative problems discussed by Steele and Archibald, regulators and employers who are venturing into the design of TBPs would be well advised to anticipate challenges throughout the life cycle of a pension plan due to downsizing, mergers, acquisitions, divestitures and ultimately windup. For example, reducing pensions for all members due to the early retirement costs of a downsizing event could seem inequitable, even in an NB SRP. It will be important that regulators and employers are deliberate about their intentions in these matters and communicate the risk-sharing deal clearly from the outset. Once again, the logical approach will depend upon whether the underlying concept is a collective DC pension plan with asset shares or a DB pension plan with a predefined mechanism for sharing surprises between contributors and beneficiaries.[5]

The Canadian Institute of Actuaries prefers a holistic regulatory framework for TBPs, rooted in the DC regulatory model but supporting the full spectrum of risk-sharing

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[5] A classification of the different types of surprises that will arise in pension plans is included in Chandler, Doug. 2017. *Provisions for Adverse Deviations in Going Concern Actuarial Valuations.* Society of Actuaries and Canadian Institute of Actuaries. *https://www.soa.org/research-reports/2017/adverse-deviations-actuarial-valuations.*

deals.[6] In fact, various provinces are implementing different regulatory frameworks, more often rooted in the DB regulatory model. Currently, the Canadian regulatory framework supports multiple benefit accrual formulas and multiple jurisdictions within a single plan registration. It is even possible to include both DC accruals and DB accruals within a single plan registration and to use surplus arising from one benefit provision in the funding of others. Sharing of deficits is somewhat more problematic. If multiple target benefit risk-sharing deals were included in a single registration (because of mergers, union agreements or multiple jurisdictions), then sharing of surpluses would be just as problematic as sharing of DB funding deficits with DC account holders.

In some ways, TBPs should prove to be less problematic than traditional pension plans. They come with predetermined rules for allocation of surplus and deficits, gains and losses. The success of the system as a whole will depend upon a principled, well-articulated approach to regulation and design.

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[6] Member Services Council. 2015. *Report of the Task Force on Target Benefit Plans*. Canadian Institute of Actuaries. *http://www.cia-ica.ca/publications/publication-details/215043*.

Authors' Response to Comments by Doug Chandler

By Jana Steele and Mary Kate Archibald

First, we would like to thank Doug Chandler for his insightful comments on our paper and continuing the important discussion on target benefit plans. As Chandler points out, target benefit plans (TBPs) are a "good idea whose time has come." He reiterates in his comments that TBPs are not uniform and that pension design options and risk sharing fall along a broad spectrum. Some TBPs are similar to defined contribution in their attributes, and some more resemble defined benefits.

We have a few additional thoughts based on his comments.

Chandler raises in his comments TBPs' tax and accounting treatment, which may be important in defining the broader adoption of these plans. Without changes to tax legislation, there will remain uncertainty regarding certain elements of TBP taxation. Further, unless defined contribution accounting is broadly adopted under accounting standards for TBPs, the uptake in such plans may be limited.

Chandler also points out that in addition to the administrative problems discussed in our paper, TBP stakeholders and regulators need to anticipate challenges through the life cycle of a pension plan, such as mergers, divestitures and windup. In this regard, he emphasizes the need for accurately communicating the risk-sharing nature of these plans from the outset. We agree with this comment. All stakeholders need to be apprised of the risk sharing that is part of the TBP regime. Accurate and understandable communications of this element of TBPs to members and beneficiaries is critical.

Finally, Chandler indicates that because TBPs have predetermined rules for dealing with surplus and deficits, in some ways these plans should prove less problematic. However, we agree with his concluding statement that "the success of the system as a whole will depend upon a principled, well-articulated approach to regulation and design."

Thanks again for continuing this important discussion.

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