Distribution of retirement income benefits

Lump sums have become more popular as an alternative to annuity payments in defined benefit retirement plans and remain the prevalent distribution option in defined contribution plans

Allan P. Blostin

Allan P. Blostin is an economist in the Division of Compensation Data Analysis and Planning, Bureau of Labor Statistics. E-mail: Blostin_A@bls.gov

Benefits under the two kinds of retirement plans offered by U.S. private industry—defined benefit and defined contribution plans—may be distributed to an individual in a variety of ways. Quite often, the individual will have a choice of payment options at retirement. According to a 2000 BLS survey of employee benefits in private industry,[1] virtually all employees under defined benefit plans had a joint and survivor annuity available at retirement, a feature that provides a portion of the retiree's annuity to the spouse after the retiree dies.[2] (See table 1.) Approximately three-fourths of the participants with such a benefit were given a choice of various options; for example, 50 percent, 67 percent, or 100 percent of the retiree's benefit could be provided to the spouse. Although traditionally, defined benefit plans have paid out benefits to the employee and spouse in the form of an annuity, more and more plans in recent years have been offering some type of lump-sum benefit as a payment option. The survey indicated that 44 percent of all workers in defined benefit plans were offered some type of lump-sum benefit option.

Defined contribution plans come in several varieties, and, as with defined benefit plans, their benefits may be distributed in a number of ways. The most prevalent type of defined contribution plan is the savings and thrift plan, followed by the profit-sharing plan and money purchase plan.[3] In 1978, section 401(k) was added to the Internal Revenue Code, allowing employees to make pretax contributions into an employer-sponsored defined contribution plan through salary reduction agreements. These types of arrangements are called 401(k) plans.[4] Virtually all savings and thrift plans include a 401(k) feature; certain other types of defined contribution plans may include such a feature as well.

Regardless of the type of defined contribution plan, the payment options at retirement are similar. Most data in this article are based on savings and thrift plans, primarily because of their prevalence. Lump-sum payment, by far the most widespread method of distribution of retirement income, was provided as an option to 87 percent of all participants in savings and thrift plans. (See table 2.) Installments paid out over a specified period were available to 54 percent of participants, while 34 percent had an annuity option.

Defined benefit plans

Under a defined benefit plan, the employer guarantees the employee's future benefit on the basis of a predetermined formula, usually tied to the employee's earnings. Traditionally, there have been three types of defined benefit formulas. A *final-pay formula*, the most prevalent type, is based on a percentage of the average earnings of an individual during a given number of years at the end of the work career, the period when the individual's earnings are typically highest. For example, a plan may pay 1.5 percent of the in-

Table 1. Percent of all employees offered and participating in defined benefit plans, by choice of payment options provided, private industry, National Compensation Survey, 2000

Option	Offered		Participating	
	Percent	Number	Percent	Number
Total	100	22,349,000	100	20,613,000
With joint and survivor annuity option	96	21,347,000	95	19,612,000
With choice of joint and survivor percentages	77	17,240,000	76	15,672,000
With lump-sum option	42	9,430,000	41	8,532,000
Without lump-sum option	35	7,809,000	35	7,140,000
No choice of joint and survivor percentages	18	3,912,000	18	3,753,000
With lump-sum option	2	462,000	2	444,000
Without lump-sum option	15	3,450,000	16	3,308,000
Choice of joint and survivor percentages not determinable	1	196,000	1	187,000
Distribution options not determinable[1]	4	1,001,000	5	1,001,000
Total with lump-sum option available[2]	44	9,921,000	44	8,997,000

[1] Includes cases in which the joint and survivor annuity data alone were unknown, cases in which the lump-sum data were unknown, and cases in which both the joint and survivor annuity and the lump-sum data were unknown.

[2] Total with lump-sum option also included in other rows of the table.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 2. Percent of all employees participating in various types of defined contribution plans, by choice of payment options provided, private industry, National Compensation Survey, 2000

Option	All defined contribution plans		401(k) plans		Savings and thrift plans		Profit-sharing plans	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Total	100	45,091,000	100	32,104,000	100	28,597,000	100	8,364,000
With lump-sum option	83	37,320,000	88	28,397,000	87	25,010,000	83	6,928,000
No other option	30	13,466,000	28	9,078,000	29	8,371,000	36	3,029,000
With annuity option	5	2,087,000	6	1,829,000	4	1,248,000	7	586,000
With installment option	21	9,252,000	23	7,533,000	25	7,254,000	14	1,145,000
With annuity and installment option	28	12,515,000	31	9,956,000	28	8,136,000	26	2,167,000
With annuity and installment option	([1])	142,000	([1])	128,000	([1])	113,000	–	–
Annuity only	1	339,000	1	339,000	1	339,000	–	–
Other distribution options[2]	20	9,191,000	22	7,089,000	23	6,604,000	14	1,130,000
Distribution options not determinable	12	5,418,000	10	3,241,000	11	3,135,000	17	1,436,000
Total with annuity option available[3]	33	15,083,000	38	12,252,000	34	9,836,000	33	2,754,000
Total with installment option available[3]	49	21,909,000	55	17,617,000	54	15,503,000	40	3,313,000

[1] Less than 0.5 percent.

[2] Other options, such as a rollover into an individual retirement account, were not tabulated separately.

[3] Total with annuity and installment option also included in other rows of the table.

NOTE: Because of rounding, sums of individual items may not equal totals. Dash indicates no employees.

dividual's average earnings during the highest 5 of the last 10 years of service, multiplied by each year of service. A *career-average-pay* formula is based on the individual's earnings over his or her entire career. Such a formula might be stated, for example, as 2.0 percent of the individual's earnings for each year worked. The third and final type of traditional formula provides a flat dollar amount for each year worked—such as $30 per month—times the number of years of service.

In recent years, a new type of defined benefit plan has become more prominent. A *cash balance plan* credits a dollar amount into a hypothetical employee account, usually on the basis of a percentage of the participant's earnings. Each year, the value of the account is credited with an interest rate specified by the plan. While similar to a defined contribution plan in many respects, a cash balance plan is considered a defined benefit plan, because it guarantees future benefits. Both traditional defined benefit plans and cash balance plans have various methods for distributing benefits at retirement.[5]

Defined benefit plans must make an annuity available to retirees. An *annuity* provides monthly or annual payments for a specified number of years or for life. For married employees, the plan must offer a survivor annuity, which guarantees continued benefits to a spouse should the retiree die. The most prevalent survivor annuity is the joint and survivor annuity. To pay for this option, the employee's benefit is reduced. For example, a joint and survivor option of 50 percent might require a 10-percent reduction in the employee's benefit at the time of retirement. Thus, the employee's benefit at retirement would be 90 percent of the accrued benefit, and the surviving spouse would receive 50 percent of that benefit. Under the joint and survivor annuity, the normal form of payment is to provide the surviving spouse a monthly income of at least 50 percent of the employee's vested benefit at the time of his or her death. A benefit is *vested* once the employee works for a specified number of years. After satisfying the vesting requirement, the employee is entitled to a nonforfeitable right to a pension, even if he or she leaves the company prior to retirement. The joint and survivor annuity is frequently offered under a 50-percent, 67-percent, or 100-percent option: the higher the percentage provided to the surviving spouse, the more the employee's benefit is reduced at retirement.

In addition to offering the standard 50-percent joint and survivor annuity, many plans give the employee a choice of several other types of annuity. Under a *single-life-only* option, the employee will be the sole recipient of a monthly pension benefit for the duration of his or her life. Payments cease upon the employee's death. In accordance with the Employee Retirement Income Security Act (ERISA), this option—along with any other—can be selected only if the employee and the spouse decline the joint and survivor annuity in writing.

Traditional defined benefit plans also offer a *period-certain* option—sometimes called a *period-certain and continuous option*—which is similar to a single-life annuity in that it guarantees the employee a monthly benefit for life. The difference is that, for a specified period after the employee retires, the period-certain option provides a benefit to the beneficiary if the employee dies. The benefit is the same amount the employee began receiving at retirement. The specified period is commonly 5, 10, or 15 years. After the designated period ends, the employee receives benefits until his or her death; no further benefits go to the beneficiary.

Another type of annuity paid at retirement is the *level-income* option. Under this method of distribution, if the participant retires before being eligible for Social Security (generally at age 62), a larger payment will be made until that time; benefits are reduced once the employee starts receiving Social Security payments.

In addition to offering the aforesaid types of annuity at retirement, traditional defined benefit plans may provide the option of lump-sum benefits. Under this option, the present value of the participant's benefit is converted into a lump-sum amount and paid out in a single cash payment. The present value represents the total amount that must be invested to pay a series of future payments.[6] Once the lump-sum amount is paid, no additional payments are made to the employee, or to the beneficiary upon the employee's death. Under present law, the defined benefit plan may make a lump-sum payment of $5,000 or less without obtaining approval from the participant or the surviving spouse.[7] When the plan allows a lump-sum benefit of more than $5,000, the employee must be given the option to select it. In 2000, lump-sum payment options were offered to 35 percent of all employees in traditional defined benefit plans. (See table 3.)

Table 3. Percent of all employees participating in traditional defined benefit and cash balance plans, by choice of payment options provided, private industry, National Compensation Survey, 2000

Option	Traditional plans		Cash balance plans	
	Percent	Number	Percent	Number
Total	100	15,823,000	100	4,790,000
With joint and survivor annuity option	94	14,822,000	100	4,790,000
With choice of joint and survivor percentages	71	11,163,000	94	4,509,000
With lump-sum option	34	5,420,000	65	3,113,000
Without lump-sum option	36	5,744,000	29	1,396,000
No choice of joint and survivor percentages	22	3,491,000	5	261,000
With lump-sum option	1	183,000	5	261,000
Without lump-sum option	21	3,308,000	–	–
Choice of joint and survivor percentages not determinable	1	167,000	([1])	20,000
Distribution options not determinable[2]	6	1,001,000	–	–
Total with lump-sum option available[3]	35	5,603,000	71	3,394,000

[1] Less than 0.5 percent.

[2] Includes cases in which the joint and survivor annuity data were unknown, the lump-sum data were unknown, and both the joint and survivor annuity and the lump-sum data were unknown.

[3] Total with lump-sum option also included in other rows of the table.

NOTE: Because of rounding, sums of individual items may not equal totals. Dash indicates no employees.

Table 4. Percent of full-time employees participating in defined benefit plans, by choice of payment options provided, private industry, National Compensation Survey, 2000

Option	All plans	Traditional plans	Cash balance plans
Total	100	100	100
With joint and survivor annuity option	95	94	100
With choice of joint and survivor percentages	76	70	94
With lump-sum option	41	33	64
Without lump-sum option	35	37	30
No choice of joint and survivor percentages	18	22	6
With lump-sum option	2	1	6
Without lump-sum option	16	21	–
Choice of joint and survivor percentages not determinable	1	1	([1])
Distribution options not determinable[2]	5	6	–
Total with lump-sum option available[3]	43	34	70

[1] Less than 0.5 percent.

[2] Includes cases in which the joint and survivor annuity data were unknown, the lump-sum data were unknown, and both the joint and survivor annuity and the lump-sum data were unknown.

[3] Total with lump-sum option also included in other rows of the table.

NOTE: Because of rounding, sums of individual items may not equal totals. Dash indicates no employees.

Cash balance plans have become more prominent in recent years. In 2000, 23 percent of full-time participants in defined benefit plans were covered by a cash balance plan, a significant increase over the 6 percent recorded in the 1997 survey of private establishments with 100 or more workers.[8] As mentioned earlier, a cash balance plan credits a dollar amount into a hypothetical employee account, usually based on a percentage of the participant's earnings. The balance in each employee's account is designed to be equal to the present value of future annuity payments. Cash balance plans generally offer their participants the option of selecting an annuity or a lump-sum payment from their account at the time of retirement or termination of employment. The calculation of the annuity amount is the inverse of the calculation of the lump-sum amount in the traditional defined benefit plan. That is, the cash balance is the present value of the account and is converted into a series of future payments based on investment assumptions.

Having a lump-sum payment as an option in most plans is one of the major differences between a cash balance plan and a traditional defined benefit plan. The 2000 survey indicated that 43 percent of full-time participants in defined benefit plans had the option of receiving a lump sum as a method of payment; in 1997, 23 percent of the participants were given a lump-sum option. The increase is attributable largely to a sharp rise in the number of cash balance plans over the 3-year period. Lump-sum payments were included as an option for 70 percent of full-time participants in cash balance plans; in contrast, 34 percent of those participating in a traditional defined benefit plan had a lump-sum option available. Cash balance plans also provide the same type of annuity payment options that traditional plans offer. (See table 4.)

Defined benefit distribution options

The following examples of defined benefit plan features illustrate some of the aforementioned distribution options available under this type of plan.

Straight-life and joint and survivor annuities. If the employee is single at retirement, he or she will receive a straight-life annuity. This form of payment provides a monthly benefit for the employee's lifetime. When the employee dies, payments stop. If the participant is married at retirement, a 50-percent joint and survivor annuity will be available. This form of payment provides a reduced monthly benefit to the employee for his or her lifetime, and, after the employee's death, the surviving spouse receives 50 percent of the employee's reduced monthly benefit for the remainder of the spouse's lifetime. Thus, the joint and survivor benefit is a reduced single life annuity that provides a benefit over two lifetimes instead of one. The amount of reduction in the employee's benefit depends on both his or her age and the spouse's age when benefits begin.

Joint and survivor annuity with different survivor options. The employee receives a reduced monthly benefit for life. After the employee dies, the surviving beneficiary receives 100 percent, 75 percent, 67 percent, or 50 percent of the reduced benefit, as elected. If the employee is single, he or she can name anyone as beneficiary. If the employee is married, the spouse must agree in writing to any option other than a joint and survivor annuity with the spouse as beneficiary.

Level income. If the employee retires before being eligible for Social Security benefits, and this option is elected, larger payments will be made prior to the start of Social Security benefits and smaller payments after. In this way, the combined income from the plan and Social Security are about even throughout retirement. The adjustment can begin at age 62 or 65. This option can be elected as a straight-life annuity or as a joint and survivor annuity.

Lump sum. The current value of the benefit is converted into a lump-sum amount paid to the employee in a single cash payment. Once the employee receives the single payment, no further amounts are due to that person, or to the beneficiary upon the employee's death. If the present value of the employee's pension benefit is $5,000 or less, he or she may elect to receive the benefit as one lump-sum payment.

Period certain. This is a reduced annuity paid to the employee over his or her lifetime. If the employee dies during a specified period (the "period certain"), say, 10 years, monthly payments will continue to be made to the beneficiary for the remainder of the 10 years. No further payments are made to the beneficiary after 10 years. If the employee lives for more than 10 years, payments will be made until his or her death.

Lump-sum benefit under a cash balance plan. The employee can take the entire vested cash balance account at any time upon leaving the company. The plan, however, is governed by the Internal Revenue Service's regulations concerning retirement plans. There are tax consequences for taking the account balance earlier than the date of retirement.

Defined contribution plans

Defined contribution plans specify the amount of employer contributions that must be placed in individual employee accounts. As with defined benefit plans, contributions to the account are guaranteed, but not future benefits, which, in defined contribution plans, fluctuate on the basis of investment earnings. There are several types of defined contribution plans, all of which generally follow the same pattern of payment options at retirement.

Under defined contribution plans, the employee is likely to be offered more than one payment option at retirement. Lump-sum payments, where by there is an immediate distribution of the employee's account balance, are offered to nearly all defined contribution participants. The installment option is another method of payment at retirement. An installment option provides equal payments at set periods for a specified number of years. For example, installment payments may be made quarterly, monthly, or annually for a period of 5, 10, or 15 years. In addition, participants in defined contribution plans sometimes have the option of choosing an annuity as a method of payment. When an annuity is offered, it is usually similar to those offered in defined benefit plans. The employee's account balance is converted into an annuity amount in the same way that a cash balance plan is. Other forms of distribution at retirement include payments in company stock, rollovers of the taxable account balance to another employer plan or to an individual retirement account, and a combination of these two options. In one scenario, a plan might pay a percentage of the account balance in a lump sum and the remainder in installment payments.

Defined contribution distribution options

The following examples of defined contribution plan features illustrate some of the preceding distribution options that are available under this type of plan.

Lump-sum payment option. The employee receives a lump-sum payment equal to the value of the account. If the account is funded wholly or partially with life insurance or annuity contracts, the account balance will be equal to the surrender value of the contracts.

Installment option. The employee receives a benefit payable in equal monthly installments for a selected period (not longer than the so-called joint and life expectancy of the employee and spouse), but with no payments thereafter. Upon the death of the employee or the spouse, the survivor will continue to receive the unpaid installments for the balance of the period selected.

Life annuity option. The employee receives monthly payments for as long as he or she lives, but with no benefit payable upon death.

Joint and survivor annuity option. The employee and the beneficiary receive monthly payments. When either one dies, the survivor continues to receive 50 percent, 67 percent, or 100 percent of the monthly amount that had previously been paid to the employee and the beneficiary.

Contingent survivor annuity option. The employee receives monthly payments. When the employee dies, the spouse, as the contingent annuitant, continues to receive 50 percent, 67 percent, or 100 percent of the monthly amount that had been previously paid to the employee.

Life annuity with payments-certain option. The employee receives monthly payments for as long as he or she lives. If the employee dies before receiving the number of monthly payments selected, the remainder continues to be paid to the beneficiary.

Four more options are as follows:

- Leave the account invested in the plan until age 70½.
- Receive the taxable account balance in the form of a direct rollover to an individual retirement account or another employer's tax-qualified plan.
- Receive the balance of the account as a lump sum in cash or in shares of company stock.
- Receive the payments in the form of quarterly installments over a period between 10 and 15 years.

Data on payment options

The types of payment option offered at retirement vary among defined benefit plans and defined contribution plans. In 2000, 51 percent of all participants in defined benefit plans were offered some type of joint and survivor annuity without a lump-sum option. The 51-percent figure compares with 44 percent that have both a joint and survivor annuity and a lump-sum option. Of those workers with both a lump-sum option and a joint and survivor annuity, almost all—41 out of 44 percent—had a choice of various types of joint and survivor annuities—for example, 50 percent, 67 percent, and 100 percent. The proportion of workers with different choices for joint and survivor benefits was somewhat lower when there was no lump-sum payment offered at retirement.

There also were variations in payment options offered at retirement between traditional defined benefit plans and cash balance plans. Fifty-seven percent of all participants in traditional plans were provided some form of joint and survivor annuity without a lump-sum option, while 35 percent had available to them both a joint and survivor annuity and a lump-sum option. Cash balance plans, by contrast, offered both a joint and survivor benefit and a lump-sum option to 71 percent of the workers, while providing only a joint and survivor annuity to 29 percent of employees. Cash balance plans also were more likely than traditional plans to provide different choices for joint and survivor benefits: upwards of nine-tenths of the workers in cash balance plans were given a choice of different joint and survivor annuities, compared with seven-tenths in traditional plans.

Payment options of defined benefit plans varied with establishment employment, occupation, and union status. Nonunion workers were much more likely than union workers (51 percent, compared with 31 percent) to be in plans that provided both a joint and survivor annuity and a lump-sum benefit. The availability of both options was more prevalent among white-collar workers than blue-collar workers (49 percent and 40 percent, respectively). Finally, smaller establishments—those with fewer than 100 workers—offered a greater percentage of participants both options than did larger establishments—those with 100 or more workers (57 percent, as opposed to 40 percent).[9]

Under savings and thrift plans in which some type of payment option was described, the vast majority of workers was offered a lump-sum benefit at retirement. Participation was nearly split between workers offered lump-sum benefits as the only option (29 percent), those offered lump-sum benefits and installments (25 percent), and those given a choice among lump-sum benefits, annuities, and installments (28 percent). In addition, one-fourth of the savings and thrift participants were given the option of other forms of payment at retirement, including a distribution in company stock and rollovers into an individual retirement account or another qualified employer plan.[10]

Although the survey is designed to estimate the number and percentage of workers currently participating in benefit plans, as well as the percentage covered by certain plan features, limited data can be obtained on the number and percentage of workers offered benefit plans, regardless of whether the workers are current participants. Workers may be offered a plan, but may not participate because they have not met an eligibility requirement (such as the completion of 1 year of service) or because they have chosen not to make required contributions. For defined benefit plans, the data show little difference between the number of workers offered a plan and the number participating. This concordance is expected, as these plans are typically provided to all workers within specific groups (such as full-time employees completing 1 year of service) and rarely require an employee contribution. In contrast, the number offered a defined contribution plan is nearly 50 percent greater than the number participating. This disparity is likely due to the fact that most defined contribution plans require employees to make a contribution in order to be a participant.

For both types of plans, distribution options were tabulated for workers offered the plans and for those actually participating. As tables 1, 2, and 5 indicate, there were no differences in options between the two groups of workers, a finding not unexpected for defined benefit plans. For defined-contribution plans, however, distribution options appear not to be a determinant in an employee's decision to participate in a plan.

In sum, there are various options for distributing payment benefits at retirement in both defined benefit and defined contribution plans. Traditionally, payment to individuals in the form of an annuity has been the main method of distribution at retirement in defined benefit plans; in recent years, however, lump-sum options have become more prominent as an alternative to annuity payments. This changing scenario is the direct result of growth in cash balance plans,

Table 5. Percent of all employees offered various types of defined contribution plans, by choice of payment options provided, private industry, National Compensation Survey, 2000

Option	All defined contribution plans		Plans with 401(k) option		Plans with savings and thrift option		Plans with profit-sharing option	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Total	100	65,299,000	100	47,427,000	100	43,320,000	100	11,033,000
With lump-sum option	83	53,977,000	88	41,665,000	87	37,623,000	85	9,432,000
No other option	31	20,556,000	30	14,187,000	31	13,385,000	39	4,357,000
With annuity option	4	2,641,000	5	2,322,000	4	1,674,000	6	617,000
With installment option	20	13,300,000	23	10,930,000	24	10,597,000	15	1,628,000
With annuity and installment option	27	17,480,000	30	14,227,000	28	11,968,000	26	2,830,000
With annuity and installment option	(1)	147,000	(1)	128,000	(1)	113,000	–	–
Annuity only	1	528,000	1	528,000	1	528,000	–	–
Other distribution options[2]	22	14,074,000	23	10,855,000	24	10,266,000	16	1,786,000
Distribution options not determinable	12	7,699,000	11	5,106,000	12	5,056,000	15	1,601,000
Total with annuity option available[3]	32	20,796,000	36	17,205,000	33	14,282,000	31	3,446,000
Total with installment option available[3]	47	30,927,000	53	25,284,000	52	22,677,000	40	4,458,000

[1] Less than 0.5 percent.

[2] Other options, such as a rollover into an individual retirement account, were not tabulated separately.

[3] Total with annuity and installment also included in other rows of the table.

NOTE: Because of rounding, sums of individual items may not equal totals. Dash indicates no employees.

which generally allow individuals the option of receiving lump-sum payments at retirement. In defined contribution plans, lump-sum payments have always been the most prevalent distribution option at retirement. When alternatives to lump-sum payments are provided, they are usually in the form of an annuity, or both an annuity and an installment option. □

Notes

[1] This survey, part of the National Compensation Survey, includes data on both full-time and part-time workers in private-sector establishments, regardless of their employment. Prior to 1999, surveys of different employment size classes were conducted in alternating years; medium and large private establishments—with 100 or more workers—were studied during odd years, small private establishments—with fewer than 100 workers—during even years. The 2000 benefits survey provides data on the incidence and characteristics of medical, dental, and vision care, private retirement plans, and other benefits. (For more details, visit the website **http://www.bls.gov/ncs/ebs/home.htm**.)

[2] Under the Employee Retirement Income and Security Act (ERISA) of 1974, defined benefit plans must make a qualified joint and survivor annuity the normal form of benefit payment for married participants. This method of payment provides the surviving spouse at least one-half of the amount of the employee benefit during the course of the spouse's lifetime.

[3] Under a savings and thrift plan, an employee contributes to a fund, generally on a pretax basis. All or a portion of the employee's contribution, usually a percentage of the employee's earnings, is matched by the employer, most commonly on a fixed-percentage basis. In a deferred profit-sharing plan, the employer credits a portion of company profits to the individual's account. Some deferred profit-sharing plans allow employee contributions, but employees are usually not required to make contributions. Under a money purchase plan, the employer makes fixed contributions to an employee's account. The fixed contributions are usually based on a percentage of the employee's earnings. Money purchase plans generally do not allow employees to make contributions.

[4] For a more detailed description of 401(k) plans, see Marc Kronson, "Employee Costs and Risks in 401(k) Plans," *Compensation and Working Conditions*, summer 2000, pp. 12–15.

[5] For a more detailed description of cash balance plans, see Kenneth R. Elliott and James H. Moore, Jr., "Cash Balance Pension Plans: The New Wave," *Compensation and Working Conditions*, summer 2000, pp. 3–11.

[6] Eugene F. Brigham and Louis Gapenski, *Financial Management: Theory and Practice*, 7th ed. (Fort Worth, TX, Dryden Press, 1994), p. 231.

[7] The Taxpayer Relief Act of 1997 amended Section 203(e) of ERISA by increasing the maximum dollar amount that a plan can pay in a lump sum without consent from $3,500 to $5,000, starting after August 5, 1997.

[8] See *Employee Benefits in Medium and Large Private Establishments, 1997,* Bulletin 2517 (Bureau of Labor Statistics, 1999), table 126, p. 103.

[9] It is important to keep in mind that defined benefit plans are less prevalent among smaller establishments. In 2000, 8 percent of workers in smaller establishments participated in such plans, compared with 33 percent in larger establishments.

[10] The survey did not code for these options separately; thus, data are not available for each of them individually.