

CORRECTING PENSION PROVISIONS IN EGTRRA

Technical Difficulties

BY JOHN P. PARKS

WHILE READING THE DELIGHTFULLY DETAILED descriptions in *Harry Potter and the Sorcerer's Stone*, I formed personal and vivid images of the characters, the mysterious scenes, and the magical plot that unfolded.

In spite of the movie version's rigid adherence to the book, I was both elated and disappointed at how different the images were from the ones so clearly concocted in my imagination. Author J. K. Rowling's superb ability to craft fine detail leads our imagination to delicious places, but somehow these destinations are somewhat different for each of us.

It is not an isolated phenomenon. Consider, for instance, President Bush's new tax cut law, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Endless hours were spent drafting and redrafting the 186 pages of EGTRRA, resulting in well-needed revisions to many tax and qualified-plan laws. But varying interpretations abound.

To resolve differences between policy-makers' visions and the text of the bill that passed, as well as to correct obvious errors in the original, a sequel will have to be written: the EGTRRA technical corrections bill. Rowling was meticulous with de-

tail in her books, and relentless in her desire to have the movie mirror her detail. There will be a similar challenge in writing technical corrections to EGTRRA while maintaining the true intent of Congress in its passage.

In a letter to William Sweetnam, benefits tax counsel in the Treasury Department, the Academy commented on pension provisions of the law we believe need correcting (to view the letter, go to www.actuary.org/pdf/pension/egtrra_12oct01.pdf). Recent revenue rulings and Treasury regulations have already resolved some of these issues. But others remain.



VALUATION TIMING

The issue: Here the reference is to EGTRRA §661, on the modification of timing of plan valuations. Generally, the valuation

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EAR
ENROLLED ACTUARIES REPORT

The *Enrolled Actuaries Report* is a quarterly publication of the American Academy of Actuaries (www.actuary.org).

ACADEMY ISSUE BRIEF

Annuities and Social Security Reform

SPURRED BY THE ATTENTION of President Bush's Social Security Commission, proposals to reform the Social Security system, particularly those involving full or partial conversion to an individual account system, have become the subject of public debate.

In an effort to provide information in the thorny area of whether individual account balances should be annuitized, the Academy recently published an issue brief, *Annuitization of Social Security Individual Accounts*, that examines policy issues surrounding individual account annuities, including:

- ▶ Should annuities be mandatory or voluntary?
- ▶ When should account balances be convert-

ed to annuities?

- ▶ What annuity benefit features are appropriate?
- ▶ Who could provide the annuities?
- ▶ How can annuities be priced fairly?
- ▶ How should annuity benefits be taxed?

MANDATORY VERSUS VOLUNTARY ANNUITIZATION

Making annuities mandatory would protect retirees from longevity risk, investment risk, and inflation risk. On the other hand, the issue brief states, a system of voluntary annuitization wouldn't restrict freedom of choice, and could avoid creating a disparity in the benefits of

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date for a defined benefit plan must fall within the plan year. However, EGTRRA provides that a plan that is well funded (plan assets equal to or greater than 125 percent of current liabilities) may use a valuation date within the prior plan year. For plans not meeting the well-funded requirement, a valuation date within the current plan year or one month prior must be used. On the surface this seems a liberalization. However, many plan sponsors (especially those for non-calendar-year plans) collect census data more than one month prior to year-end.

The Academy's recommendation: A valuation date up to 12 months prior to the beginning of the plan year for well-funded plans (125 percent rule) or up to three months prior to the beginning of the plan year for other plans should be allowed. Asset values would be measured as of the valuation date.

The collection of census data up to 12 months prior to the beginning of the plan year for all plans, with appropriate projection to the valuation date, should also be allowed.

Finally, the reflection of significant events (such as plan amendments), as outlined in the PBGC premium funding rules, should be required.

RELIEF FOR PLANS THAT INCORPORATE IRC SECTION 415(b) BY REFERENCE (EGTRRA SECTION 611 ON THE INCREASE IN BENEFIT AND CONTRIBUTION LIMITS)

The issue: The effective date of this change to IRC §415(b) applies to years ending after Dec. 31. As a result, some fiscal year

plans with "pop-up" language will have the increased limits imposed on the date of EGTRRA's enactment. The plan sponsor in this case does not seem to have the option of keeping the prior benefit limitations. This could result in unexpected and unacceptable cost increases.

The Academy's recommendation: Relief should be given to employers whose plans incorporate IRC §415(b) by reference, and thus may experience immediate increases in their qualified plan benefits without the opportunity to choose whether or not to apply the new rules.

Revenue Ruling 2001-51 addresses this issue in Q-13 as follows:

"Q-13: May a plan be amended to limit the extent to which a participant's benefit would otherwise automatically increase under the terms of the plan as a result of the increased §415 limitations under EGTRRA?

"A-13: A plan may be amended to limit the extent to which a participant's benefit would otherwise automatically increase under the terms of the plan as a result of the increased §415 limitations under EGTRRA, if the amendment is adopted before the effective date of the increased §415 limitations for the plan."

CATCH-UP CONTRIBUTIONS

The issue: Numerous issues arise under current EGTRRA rules on catch-up contributions. Some of those expressed in the Academy's letter have been clarified through proposed regulations issued Oct. 23 [Proposed Treasury Regulations §1.414(v)-1, 66



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Federal Register 53555 (Oct. 23, 2001)]. Comments on the proposed regulations are due by Jan. 31, and a public hearing will be held Feb. 21.

Additionally, IRS notice 2001-57 contained sample amendments for catch-up contributions. But a number of outstanding questions remain.

REFERENCES TO OBRA '87 CURRENT LIABILITY

The issue: Several areas of the IRC set thresholds based on OBRA '87 current liability funding ratios. Given that under EGTRRA, the OBRA '87 full-funding limit will be phased out over the next few years, actuaries will no longer need to measure OBRA '87 current liability on an ongoing basis — unless their clients need to determine whether their plans meet one of these thresholds.

The RPA '94 current liability measurement is very similar to OBRA '87, but with more restrictions on assumed interest and mortality rates. Since it is required for ongoing calculations, it will be produced routinely by actuaries for annual plan valuations.

The Academy's recommendation: Any references in the IRC to OBRA '87 current liability should be changed to RPA '94 current liability. The financial effects of any such changes are negligible.

SIMPLIFICATION OF BENEFIT LIMITS UNDER IRC SECTION 415(b)

The issue: IRC §415(b) limits are adjusted for early and late retirement, and for forms of payment, using specified mortality rates. Interest rates are restricted as follows:

- ▶ For purposes of adjusting the dollar limit when the benefit begins before age 62 and for adjusting for certain forms of payment (except as provided below), the interest rate can be no lower than the greater of (a) 5 percent or (b) the rate specified in the plan.
- ▶ For purposes of adjusting for certain forms of payment subject to §417(e)(3), the interest rate must be no less than the greater of (a) the applicable §417(e)(3) rate or (b) the rate specified in the plan.
- ▶ For purposes of adjusting the dollar limit when the benefit begins after age 65, the interest rate can be no greater than the lesser of (a) 5 percent or (b) the rate specified in the plan.

In addition, under Revenue Ruling 98-1, the early retirement reduction to the IRC §415 limit must be at least as stringent as the reduction to the underlying benefit.

The Academy's recommendation: A simpler approach to the adjustments to the IRC §415 limit is needed. Given that mortality rates are specified for these adjustments, specifying a single interest rate of 5 percent for all adjustments would both simplify the calculations and enable the secretary of the Treasury to issue a table of adjustments that could be used to determine the limits for all plans. This would enable plan administrators to make

the most of these calculations themselves and avoid the cost of hiring an actuary to make the required adjustments.

The American Society of Pension Actuaries (ASPA), through its Government Affairs Committee, has informally reviewed various technical corrections with congressional staffers. For instance, in the case of EGTRRA §648 dealing with occasions when employers may disregard rollovers for purposes of cash-out amounts, subparagraph D (Special Rule for Rollover Contributions) is added by EGTRRA to §411(a)(11) of the IRC. Here rollover contributions need not be counted in determining if the \$5,000 amount has been met for making an immediate distribution to a participant without consent.

How dull it would be if all pension actuaries and other pension specialists agreed . . . and were unable to enter into the magical world of cognitive disagreement and imagination.

ASPA has suggested that IRC §417(e)(1) be amended to clarify that a plan is not treated as failing this requirement if the value of the qualified joint & survivor annuity (QJSA) is determined without regard to rollover contributions, as described in §411(a)(11)(D). The rollover contribution would relate to a plan either that was not subject to QJSA in the first place (e.g., IRA, 403(b), 457(b)) or for which the spouse had consented to a waiver of the QJSA in order for the rollover to occur (e.g., a qualified plan that is subject to IRC §417). In either case, then, if the rollover is the sole reason why the QJSA would exceed \$5,000, the lump sum option should be available. This way the rule in §411(a)(11) is not limited to plans that are exempt from QJSA.

There are numerous technical aberrations between EGTRRA and the intent of its creators — some already discovered, others yet to be uncovered. The IRS and Treasury Department have been quick and detailed in their responses. Still, it will take time before all the issues surface and, as always with such complexity, they may never be entirely resolved.

There is one consolation: the discussion is lively. How dull it would be if all pension actuaries and other pension specialists agreed on every provision and were unable to enter into the sometimes magical world of cognitive disagreement and imagination. ▲

JOHN P. PARKS, president of MMC&P Retirement Benefit Services, Inc., in Pittsburgh, is the new editor of the *EAR* and the Academy's vice president for pension issues.

Updated Social Security and IRS Amounts for 2002

These three tables list updated figures for IRS pension limits, Social Security amounts, and covered compensation for 2002.

The tables were compiled by Andrew Eisner of the Research Department of Buck Consultants, Inc.

Covered Compensation, 2002

2002 Wage Base \$84,900

YEAR OF BIRTH	AGE IN 2002	SSRA	YEAR OF SSRA	COVERED COMPENSATION ROUNDED TO:			
				\$1*	\$12	\$600**	\$3,000
1935	67	65	2000	35,106	35,100	35,400	36,000
1936	66	65	2001	37,214	37,212	37,200	36,000
1937	65	65	2002	39,451	39,444	39,600	39,000
1938	64	66	2004	43,857	43,848	43,800	45,000
1939	63	66	2005	46,060	46,056	46,200	45,000
1940	62	66	2006	48,263	48,252	48,000	48,000
1941	61	66	2007	50,431	50,424	50,400	51,000
1942	60	66	2008	52,549	52,548	52,800	54,000
1943	59	66	2009	54,597	54,588	54,600	54,000
1944	58	66	2010	56,620	56,616	56,400	57,000
1945	57	66	2011	58,609	58,608	58,800	60,000
1946	56	66	2012	60,563	60,552	60,600	60,000
1947	55	66	2013	62,483	62,472	62,400	63,000
1948	54	66	2014	64,254	64,248	64,200	63,000
1949	53	66	2015	65,940	65,940	66,000	66,000
1950	52	66	2016	67,517	67,512	67,800	69,000
1951	51	66	2017	69,017	69,012	69,000	69,000
1952	50	66	2018	70,423	70,416	70,200	69,000
1953	49	66	2019	71,769	71,760	72,000	72,000
1954	48	66	2020	73,063	73,056	73,200	72,000
1955	47	67	2022	75,463	75,456	75,600	75,000
1956	46	67	2023	76,603	76,596	76,800	78,000
1957	45	67	2024	77,657	77,652	77,400	78,000
1958	44	67	2025	78,617	78,612	78,600	78,000
1959	43	67	2026	79,517	79,512	79,800	81,000
1960	42	67	2027	80,357	80,352	80,400	81,000
1961	41	67	2028	81,137	81,132	81,000	81,000
1962	40	67	2029	81,831	81,828	81,600	81,000
1963	39	67	2030	82,509	82,500	82,800	84,000
1964	38	67	2031	83,143	83,136	83,400	84,000
1965	37	67	2032	83,700	83,700	84,000	84,000
1966	36	67	2033	84,171	84,168	84,000	84,000
1967	35	67	2034	84,523	84,516	84,600	84,900
1968	34	67	2035	84,771	84,768	84,900	84,900
1969	33	67	2036	84,900	84,900	84,900	84,900

*Represents exact average of wage bases, as permitted by law and regulations.

**After 1993, IRS does not authorize the use of covered compensation tables rounded to \$600 multiples under Section 401(l). Thus, integrated plans using this table are not safe-harbor plans.

Social Security—2002 Factors

On Oct. 19 the Social Security Administration announced updated factors for 2002.

Wage Base	The maximum amount of earnings taxable in 2002 is \$84,900 for Social Security purposes.
COLA	The cost-of-living increase in benefits is 2.6% applicable to December 2001 benefits, payable in January 2002.
Wage Index	The Average Annual Wage figure of \$32,154.82 will be used in computing benefits for workers who become eligible in 2002. This figure is based on data for the last complete year (2000) and was used to determine other wage-indexed numbers given in the table below.

FACTOR	2001	2002
Wage base:		
for Social Security	\$80,400	\$84,900
for Medicare	No Limit	No Limit
old-law wage base, for indexing PBGC maximum, etc.	\$59,700	\$63,000
Cost-of-living increase (applies to December benefits, payable in January)	3.5%	2.6%
Average annual wage (based on data 2 years earlier)	\$30,469.84	\$32,154.82
PIA formula, 1st bend point	\$561	\$592
PIA formula, 2nd bend point	\$3,381	\$3,567
Maximum family benefit, 1st bend point	\$717	\$756
Maximum family benefit, 2nd bend point	\$1,034	\$1,092
Maximum family benefit, 3rd bend point	\$1,349	\$1,424
Retirement test exempt amount (annual):		
below SSNRA	\$10,680	\$11,280
year of SSNRA	\$25,000	\$30,000
Wages needed for one quarter of coverage	\$830	\$870
FICA (employee) tax rate:		
Social Security (OASDI)	6.20%	6.20%
Medicare (HI)	1.45%	1.45%
Total	7.65%	7.65%
SECA (self-employed) tax rate, total	15.30%	15.30%

IRS Pension Limits for 2002

Here are the unofficial 2002 pension limits. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) increased the defined benefit plan limit, the defined contribution plan limit, the limit on includible compensation, and the 401(k), 403(b), and 457(b) deferral limit for 2002. In addition, EGTRRA created catch-up deferrals for participants age 50 and over.

PRINCIPAL LIMITS

IRC §	LIMIT	LIMITS		TO PROJECT FUTURE VALUES		
		2001 ROUNDED	2002 ROUNDED	2002 UNROUNDED	NEXT INCREMENT	% INCREASE NEEDED
415(b)(1)	Defined benefit plan limit	\$140,000	\$160,000	\$160,000	\$165,000	3.1%
415(c)(1)	Defined contribution plan limit	35,000	40,000	40,000	41,000	2.5%
401(a)(17)	Limit on includible compensation*	170,000	200,000	200,000	205,000	2.5%
402(g)(1)	Limit on 401(k)/403(b) elective deferrals**	10,500	11,000	11,000	12,000	N/A
414(q)	HCE definition	85,000	90,000	90,368	95,000	5.1%
414(v)(2)	401(k)/403(b)/457(b) Catch-up deferrals	—	1,000	1,000	2,000	N/A

OTHER LIMITS

IRC §	LIMIT	LIMITS		TO PROJECT FUTURE VALUES		
		2001 ROUNDED	2002 ROUNDED	2002 UNROUNDED	NEXT INCREMENT	% INCREASE NEEDED
457(b)	Limit on nonqualified deferrals**	\$ 8,500	\$ 11,000	\$ 11,000	\$ 12,000	N/A
409(o)(1)(C)	ESOP payouts, 5-year limit	780,000	800,000	804,850	805,000	0.0%
409(o)(1)(C)	ESOP payouts, additional 1-year limit	155,000	160,000	160,970	165,000	2.5%
408(k)(2)(C)	SEP pay threshold	450	450	483	500	3.5%

*Governmental plans have special rules for eligible participants as defined in OBRA '93.

**EGTRRA increased the 401(k), 403(b), and 457(b) limits to \$11,000 for 2002, and provided for \$1,000 annual increases in this limit until it reaches \$15,000 in 2006. Thereafter, the limit will be adjusted for inflation. All other limits affected by EGTRRA will be adjusted for inflation beginning in 2003.

Better Benchmark Sought for Pension Funding Requirements

WITH THE RECENT ANNOUNCEMENT by the Treasury Department that it would suspend issuance of all new 30-year bonds, moves to replace the 30-year Treasury rate as a benchmark for making certain defined benefit pension plan calculations are gaining momentum.

Currently, there are numerous circumstances where both the Internal Revenue Code (IRC) and the Employee Retirement Income Security Act (ERISA) require using the Treasury bond

Employee-benefit groups are recommending a three-year period during which plan sponsors would be given the choice between a higher rate and the 30-year bond rate.

rates for pension calculations.

In a public statement issued in July, the Academy's Pension Practice Council warned that the decline in 30-year Treasury rates was causing some employers to contemplate terminating their defined benefit pension plans because of surging funding requirements. Because of the reduction in publicly held debt, 30-year Treasury rates have dropped from around 100 basis points below Moody's composite long-term corporate bond rates to about 200 basis points below Moody's rates. Pension plan sponsors are required to use the 30-year Treasury rate in several calculations, and this trend has negatively affected pension plan sponsors and participants.

With the recent announcement from the Treasury Depart-

ment, 30-year Treasury rates are expected to drop even further. In response to this situation, employee-benefits groups such as the American Benefits Council and the ERISA Industry Committee have suggested substituting a higher and more appropriate rate for 30-year Treasuries, such as the Moody's AA corporate bond index. They are also recommending a three-year period during which plan sponsors would be given the choice between the higher rate and the 30-year bond rate. Advocates are pushing for the inclusion of such a provision in the economic stimulus bill currently being debated by Congress.

In its public policy statement, the Academy identified instances where plan sponsors are required to use the 30-year Treasury bond rate. These include when determining a plan's current liability for purposes of funding (IRC §412(b)(5)(B) and ERISA §302(b)(5)(B)) and for purposes of the full funding limitation (IRC §412(c)(7)(C) and ERISA §302(c)(7)(C)). They are also used when determining the threshold and the additional contributions for certain underfunded single employer plans (IRC §412(l) and ERISA §302(d)).

For the average pension plan, the Academy's statement noted, the sagging 30-year Treasury rates increase liabilities by about 12 percent. This situation forces many more plans to make additional contributions under the stricter rules for underfunded plans when in fact, they are not underfunded using some measures of benefit liabilities. Furthermore, the unusually low 30-year Treasury rates increase the average underfunded plan's liabilities by 12 percent, which increases their minimum contributions by more than 12 percent.

To view the Academy's statement, go to www.actuary.org/pdf/pension/treasurybonds_071101.pdf.

—Bridget Flynn, pension policy analyst

LOOKING FOR PALS

The Pension Assistance List (PAL), the Academy's nationwide referral service for actuaries interested in helping individuals understand their pension benefits, is looking for more volunteers.

By broadening participants' knowledge about their pension plans, as well as acquainting them with the valuable work that actuaries provide in plan development and management, PAL gives actuaries a chance to serve both the profession and the public good.

To take part, look for the enclosure in this month's mailing of the *EAR*. Or you can sign up online at www.actuary.org/palform.htm. If you need more information, contact Kasha Shelton, the Academy's administrative/legislative manager (shelton@actuary.org; 202-223-8196).

RELIEF ACTION

In the aftermath of Sept. 11, numerous changes, extensions, and revisions have occurred in both the public and private sectors. Several are of particular interest to enrolled actuaries.

The Joint Board for the Enrollment of Actuaries is extending the dates both for continuing professional education (CPE) and for submitting applications for renewal of enrollment. The board's extensions came after a letter from the Academy requesting relief for enrolled actuaries.

In its announcement, the board noted that the cancellation or postponement of professional meetings due to the terrorist attacks might prevent actuaries from completing their continuing educational requirements by Dec. 31. The CPE cycle has been extended by six months and will now end June 30, 2002. Enrolled actuaries may choose to credit hours earned from Jan. 1 through June 30 to either the current or the subsequent enrollment cycle. To view the Joint Board's announcement, go to www.irs.gov/bus_info/tax_pro/jba10301.pdf.

The Internal Revenue Service, the Department of Labor's Pension and Welfare Benefits Administration, and the Pension Benefit Guaranty Corporation (PBGC) have exempted employers from certain penalties relating to Form 5500 for defined benefit and money purchase pension plans. The

relief specifically relates to the minimum funding standards established by Section 412 of the Internal Revenue Code.

For plan years ending on or after Dec. 27, 2000, and on or before Jan. 8, 2001, for which a Form 5500 is required to be filed on or before Oct. 15, 2001, plan administrators and plan sponsors will not be penalized for failing to file a Form 5500 and enrolled actuaries will not be penalized for failing to file a Schedule B of Form 5500 (showing the actual date of payment of the contribution) and line 6(b) of Schedule R of Form 5500. For more information, go to www.irs.gov/relief/business.html.

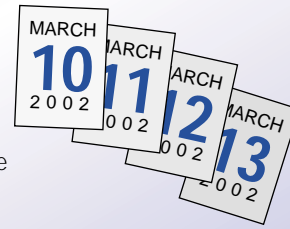
The PBGC will also waive penalties through Feb. 12 for any premium payment with a due date between Sept. 11 and Feb. 12 if the pension plan administrator is located in an area for which the Labor Department is providing disaster relief for Form 5500 filings. The PBGC is providing premium penalty relief beyond Feb. 12 for plans that qualify for Form 5500 disaster extensions beyond that date. For more information, go to www.pbgc.gov/news/press_releases/2001/pr01_33.htm.

MARK YOUR CALENDARS FOR THE— **27th Annual Enrolled Actuaries Meeting**

sponsored by the Academy and the Conference of Consulting Actuaries
March 10-13 at the Marriott Wardman Park Hotel in Washington.
Highlights of the meeting include:

- ▶ Several sessions devoted to new regulations under EGTRRA
- ▶ The Capitol Steps, back by popular demand
- ▶ Continuing education credits earned at the 2002 EA meeting can be applied to the enrollment cycle originally ending Dec. 3, 2001.
- ▶ Professional development credit for actuaries seeking fellowship under SOA rules
- ▶ Participation by representatives from the Internal Revenue Service (IRS), Department of Labor, Treasury Department, and Pension Benefit Guaranty Corp.
- ▶ General sessions on employee rights to retirement benefits and an open forum featuring top actuaries from Treasury and IRS.

Want more information? Go to www.cactuaries.com/meetings/ea2002.



ANNUITIES *continued from Page 1*

workers with short life expectancies compared to those with longer life expectancies. Exceptions to mandatory annuitization may be appropriate in cases where account balances are too small to make annuitization economically viable, or where they are so large that retirement income security could be achieved without annuitizing the entire amount. An exception may also be appropriate for individuals with short life expectancies at retirement. However, a cash refund feature could also help address that problem.

WHEN TO ANNUITIZE ACCOUNT BALANCES

The issue brief also considers when best to convert account balances to annuities. This would be of particular concern in a mandatory system, because individuals who reach retirement during a downturn in the stock market could see the value of the investments in the account substantially reduced. The issue brief identifies several ways to avoid this problem, including “dollar-cost averaging,” gradually converting the equity portion of the account into fixed-income securities in the years just prior to annuitization, or purchasing a variable annuity. However, converting the entire account balance into a fixed or inflation-indexed annuity at one time has several advantages, including protecting individuals from future investment risk, and reducing administrative complexity and cost.

POTENTIAL FEATURES OF INDIVIDUAL ACCOUNT ANNUITIES

Customizing annuities by adding features, such as a joint & survivor option, cost-of-living adjustments, and a cash refund option, may be desirable. But while adding one or more of these features might meet important public policy goals, the issue brief warns, it would also alter the benefit payments, generally resulting in lower initial payments.

PRICING OF INDIVIDUAL ACCOUNT ANNUITIES

In the current private annuity market, the amount of annuity income payable depends on long-term assumptions as to mortality and interest rates, as well as the annuitant’s age and gender. In addition, various annuity options, such as joint & survivor, cash refund, and COLA features, can also make a significant difference in the level of income payable. The issue brief points out that in a mandatory system of annuitization, policy-makers need to consider whether to provide unisex rates, how to deal with small annuities, and how to ensure equity in the treatment of low-income workers and minorities, who tend to have shorter life expectancies.

WHO COULD PROVIDE THE ANNUITIES

The issue brief states that while there are at least three viable options for individual account annuity providers, a centralized annuity program operated or sponsored by the government, in which administrative tasks and some or all financial risks could be contracted out to private firms, has certain advantages. Specifically, such a system could benefit from economies of scale; would be able to accommodate unisex treatment of annuity rates and options; would address concerns about possible loss due to insurer insolvency; and could facilitate inflation-indexed annuities.

TAXATION OF INDIVIDUAL ACCOUNT ANNUITIES

Following descriptions of how current Social Security benefits, private annuities, and retirement plan payments are taxed, the issue brief notes that the taxation of individual account annuities could be based on any one of these models.

The issue brief is the work of the Academy’s Social Insurance Committee, chaired by Bruce Schobel. To read it online, go to www.actuary.org/pdf/socialsecurity/annuity_nov01.pdf.

— Bridget Flynn, pension policy analyst