



AMERICAN ACADEMY *of* ACTUARIES

WHEN YOUR RETIREMENT PLAN CHANGES

Understanding Your Cash Balance Plan

This question and answer summary provides basic information on retirement plans plus specific information on cash balance plans. The American Academy of Actuaries prepared this booklet to help you understand your cash balance plan and how it could affect your retirement planning. The rules that govern retirement plans are voluminous and complex. There are significant differences between the types of retirement plans and the various retirement plans provided by employers. As a result, the information in this booklet is general in nature and does not discuss many of the alternatives that may exist in retirement plans. At the end of this booklet, you will find a list of resources for obtaining additional information on retirement plans plus specific information on your retirement plan and how it benefits you.

Almost all retirement plans are either sponsored by your employer or jointly sponsored by your union and your employer. Retirement plans are regulated by federal law that is enforced primarily by the U.S. Department of Labor (DOL), the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC). The PBGC is a federal agency that insures certain retirement plans. These rules protect the rights of employees who are participants in retirement plans and are also designed to assure the equitable application of the special tax treatment received by qualified retirement plans.

Most retirement plans fall into one of two general categories. They are either **defined benefit plans** or **defined contribution plans**. Both provide retirement benefits, but the way the benefits are calculated and funded is different. For millions of Americans, your traditional defined benefit retirement plan may have recently switched to a "cash balance" plan. A cash balance plan is a cross between a defined benefit plan and a defined contribution plan.

The benefits you earn from your retirement plan, in addition to the benefits you will receive from Social Security and your personal savings, are an important part of determining when you can retire and your standard of living after you retire. Since the benefits from your retirement plan represent a significant part of your retirement security, you should know how your plan works and what effect the change to a cash balance plan may have on your retirement benefits.

This booklet should help you understand retirement plans (particularly cash balance plans), how you benefit from your retirement plan, and what information is available to you from the administrator of your retirement plan. Understanding how your retirement plan works and the benefits it provides is an important step in planning for an adequate retirement.

The American Academy of Actuaries is the public policy organization for actuaries practicing in all specialties within the United States. A major purpose of the Academy is to act as the public information organization for the profession. The Academy is nonpartisan and assists the public policy process through the presentation of clear actuarial analysis. The Academy regularly prepares testimony for Congress, provides information to federal elected officials, comments on proposed federal regulations and works closely with state officials on issues related to insurance. The Academy also develops and upholds actuarial standards of conduct, qualification and practice, and the Code of Professional Conduct for all actuaries practicing in the United States.



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Q. What is a traditional defined benefit (DB) plan?

A. A traditional defined benefit (DB) plan (as its name implies) provides a specific benefit payable at retirement. The benefit can be determined in a number of different ways, but most DB plans calculate benefits based on your service (length of employment) and your pay. (For example: 1% of your average pay over the last 3 years of employment with your employer multiplied by your years of service.) Other DB plans may base the benefit on a specific dollar amount or a dollar amount per year of service (for example, \$30 times your years of service). Usually, DB plan benefits are paid as an annuity for at least as long as you are alive. No matter how your benefit amount is determined, the plan guarantees payment of your retirement benefit. This guarantee is based on your employer's commitment to make sufficient contributions to the plan so the plan will have adequate assets to pay all the benefits the plan promised. Federal law requires employers to contribute minimum and maximum annual amounts to DB plans. In the event an employer is unable to fund its commitment, the PBGC insures the plan will be able to pay your benefits.

Each DB plan is different. The employer sets the specific terms and conditions of the plan (or if you are a union employee, your union and your employer negotiate plan conditions). When you can retire and what effect your retirement age will have on your benefit may also vary from plan to plan. For example, the retirement plan that covers your neighbor or a friend might allow them to retire at age 55 with full benefits. However, just because their plan allows full retirement at age 55, does not mean that your plan will or must offer that same benefit. In many DB plans, the age at which you can receive full benefits is 65.

Historically, traditional DB plans have been the primary means by which employers have provided retirement benefits to most employees. DB plans are generally designed to reward long service with a single employer, which has been the typical pattern of employment for most of the last century. However, the emergence of a more mobile work force has made traditional DB plans less effective in developing retirement security for employees who may change employers several times during their career.

The value of a traditional DB plan is often difficult to understand. The benefit you earn in a DB plan is almost always expressed as a monthly benefit, with the payment of benefits beginning at normal retirement age (e.g. 65) and continuing for the rest of your life. It is hard for employees to know what these monthly benefit payments are worth, whether retirement is close or many years away. Further, the current value of your benefit in a DB plan may vary depending on your length of employment, your age when you retire or terminate employment, and the interest rates paid on certain U.S. Treasury bonds.

Q. What is a defined contribution (DC) plan?

A. Unlike defined benefit plans, benefit levels in defined contribution (DC) plans, such as plans with 401(k) accounts, are based on contributions and investment performance. While DB plans base your retirement benefit on a formula, DC plans use individual accounts for each participant in the plan to determine retirement benefits.

The individual accounts in DC plans—notably plans with 401(k) accounts—are typically funded by a combination of your contributions and contributions from your employer. Your ultimate retirement benefit will depend on how much money has been contributed to your account and the investment earnings on those contributions. In some cases, you are allowed to decide how your account will be invested. In other plans, an investment adviser may decide how plan assets are to be invested. The investment return in a DC plan affects how much money you will have at retirement, and therefore, you assume almost all the risk for how well the plan's investments perform. As noted above, in a DB plan with its guaranteed benefits, the employer assumes all the investment risk.

The funding for most DC plans is from contributions that may vary from year to year. In addition to this annual variation in contributions, the potential retirement benefit depends heavily on investment decisions and the performance of stock and bond markets throughout your working career. Thus, DC plans do not provide you with a predictable retirement benefit.

Despite this lack of predictability, DC plans are attractive to many employees. The individual account feature allows you to easily understand how much your retirement benefit is worth at any point in time. Plus, a higher return on DC plan investments will usually produce greater benefits at retirement. You may also be able to deter-

mine how your account is invested. With proper planning, it is possible to increase your retirement benefit by improving the investment return on your account. However, if your investment strategy is unsuccessful, you could adversely affect your retirement benefits.

Q. Why do employers change plans?

A. The vast majority of modifications to retirement plans are due to changes in federal law and the regulations that govern the operation of plans. However, from time to time, employers evaluate how their retirement plans are working, and whether the plans still fit the needs of their current and future employees. Sometimes, the changes to plans reflect competitive business factors such as the ability to recruit and retain employees, which may result in increased benefits or the addition of another plan. Other times, cost considerations are the primary reason for making changes to plans and may result in a reduction in the benefits employees will earn in the future.

Regardless of the reason, the voluntary nature of our pension system allows most employers to unilaterally make certain changes to their retirement plans, as long as the changes do not violate federal pension rules or the terms of collective bargaining agreements covering their employees.

From the brief explanation in the above questions and answers, you can see that DB and DC plans have both advantages and disadvantages. In some circumstances, a DB plan will be better for you, and in other situations, a DC plan might provide higher retirement benefits. Since no one type of plan will be best for all employees, employers have looked for alternatives that combine the best features of both types of plan into a single hybrid plan. One example of a hybrid plan is a **cash balance plan**.

Q. What is a cash balance plan?

A. A cash balance plan resembles a DC plan because it determines the value of benefits for each participant based on individual accounts. The individual accounts are hypothetical because the plan's assets are not actually segregated into individual accounts, as they are in a true DC plan. With a cash balance plan, the assets of the plan remain in a single investment pool like the traditional DB plan.

At any point in time, the plan's total assets may be more or less than the sum of all of the hypothetical account balances. For funding purposes, a cash balance plan is still a DB plan, and the employer is responsible for making adequate contributions to the plan so that sufficient assets exist to pay all benefits.

Rather than reflecting your pension benefits as a monthly amount payable at retirement as is customary in a traditional DB plan, your benefits in a cash balance plan are based on the value of your hypothetical individual account. The individual accounts provide a way for you to more easily understand the value of your benefits and how much money you have accumulated for your retirement. Although the hypothetical individual accounts make a cash balance plan look like a DC plan, a cash balance plan is treated under federal law as a DB plan, since it uses a specific formula to determine participant benefits.

Q. How are benefits or account balances determined in a cash balance plan?

A. For each year you participate in a cash balance plan, the plan will credit your individual account with a percentage of your compensation (usually called a pay credit) plus interest on your account balance (usually called an interest credit). Formulas in the plan document specify how these pay credits and interest credits are to be calculated. The pay credit may be based on a flat percentage of your pay, such as 4 percent, and would apply uniformly to all employees. Or the pay credit could be based on rates that are tied to your age or length of employment, which would then vary from employee to employee. Similarly, the interest credit may be specified in the plan as a fixed rate, such as 5 percent, or it might be based on the rates from a specified outside investment, such as 30-year U.S. Treasury bonds, which could vary.

As with a traditional DB plan, the employer assumes all the investment risk in a cash balance plan. In other words, if the plan provides for an interest credit of 5 percent per year but plan assets only earn 3 percent per year, the employer would have to contribute more money to the plan to make up the difference in the promised inter-

est credit and the actual return on plan investments. Essentially, the employer guarantees that when a participant leaves employment, the amount of benefits due to the participant, which is usually at least the value of the participant's hypothetical account, will be paid regardless of how well plan investments have performed. If the return from plan investments exceeds the interest credit rate, then it may be possible for the employer to contribute less money to the plan and still guarantee the payment of all promised benefits.

By comparison, in a DC plan, you might plan your retirement based on your account earning 5 percent on investments. If your account were to earn more than 5 percent, your retirement benefit would be greater than expected. However, if the investment return on your account was less than 5 percent, then your retirement benefit would be lower than you had expected.

Q. What happens if my employer has financial problems and does not make adequate contributions to the plan?

A. First, the assets of your retirement plan are held in a trust, separate and apart from your employer's assets. The assets in this trust can be used only to pay plan benefits or the expenses for operating the plan. Plan assets are protected by federal law and cannot be used to pay creditors, yours or your employers.

In DC plans, the assets of the plan are always equal to the value of benefits (the individual accounts) to be paid by the plan. Thus, if a DC plan is terminated, usually there are no unfunded benefits. The same is not necessarily true for DB plans. When a DB plan is started, employees may be credited with benefits for service prior to the inception of the plan. Thus, a benefit liability is created before any contributions are made to the plan. Similarly, the plan may be amended to improve benefits after the plan started. In either case, the money to pay for these benefits must be contributed to the plan over a period of time since employers are usually prohibited from immediately funding new benefits in DB plans. Under federal law, employers generally fund this initial benefit liability or the liability for an amendment over a period of 10 to 30 years. Thus, it is possible that the assets of a DB plan may be less than the value of the benefits that have been earned under the terms of the plan.

Since cash balance plans are DB plans, all promised benefits should be paid in full as long as the plan continues to operate. However, if the plan terminates without enough money to pay all the benefits that have already been earned, the PBGC will assume responsibility for paying the benefits due from the plan. Federal law limits the amount of monthly benefits the PBGC can guarantee. Since cash balance plans usually determine benefits based on individual account balances rather than monthly amounts, the balance in your account would have to be converted into an annuity with monthly payments beginning at retirement, for comparison with the PBGC benefit limitation. Fortunately, the benefits payable to most employees do not exceed the guaranteed level and are usually fully covered by the PBGC.

Generally, the PBGC pays benefits in monthly payments over your lifetime beginning at retirement. Even if your benefits were determined based on an individual account in a cash balance plan, the PBGC may pay you monthly benefits rather than one lump sum payment equal to the value of your cash balance account. However, the PBGC usually allows participants to receive their benefits in a single lump sum payment rather than monthly payments, if the amount of the lump sum is less than \$5,000.

DC plans are not covered by the PBGC. However, as noted above, the assets of in a DC plan should always be equal to its benefit liabilities, so PBGC coverage is not really necessary for DC plans.

Q. Why have some employers decided to switch from a traditional DB plan to a cash balance plan and/or a DC plan?

A. Cash balance and DC plans have features that are attractive to both employees and employers. First, these plans are easier to understand than traditional DB plans since the individual account feature allows you to determine more easily the current value of your retirement benefit. With a traditional DB plan, it is usually more difficult to understand the current value of their retirement benefit when the value can vary depending on whether you have reached retirement age, when you stopped working and the overall level of interest rates when benefits will be paid.

For some employers, cash balance plans and DC plans may be useful in recruiting and retaining younger employees who may not be committed to a long-term career with one employer. For industries in which there

is a lot of job mobility and workers expect to work for several employers during their career, a cash balance plan—which can provide more uniform benefit values regardless of an employee’s age or years of service—may be more appealing to younger workers than a traditional DB plan.

Cash balance plans may also benefit women who temporarily leave the work force early in their careers to care for their families. For younger employees who leave employment for significant periods, the higher levels of benefits available at earlier ages in DC or cash balance plans may be more attractive, especially when combined with future investment earnings or interest-credits attributable to their account balances.

In addition, cash balance plans and DC plans usually allow vested participants who leave the company (vesting typically occurs within five years of service) to take their account balance with them in a lump sum. This lump-sum feature appeals to young, mobile workers who can roll the money over into an individual retirement account (IRA) or their next employer’s plan.

Some traditional DB plans also allow employees to take lump sums, but when the employee is young, lump-sum amounts tend to be relatively small and can fluctuate in value from year to year, depending on changes in interest rates. Under a cash balance plan, lump-sum values tend to be more stable and usually steadily increase in value over time.

Q. How is a cash balance plan different from a DC plan?

A. Under DC plans, including those with 401(k) accounts, the *individual* worker takes the investment risk. Under a cash balance plan, even if the underlying investments lose value, the *employer* is still obligated to contribute enough money to the plan so it can pay the benefit based on your individual account balance. In other words, with DC/401(k) plans, higher investment returns result in larger account balances and more money being available for retirement benefits. However, if the investments in a DC/401(k) plan do not perform well or actually lose money, your account balance would be lower and result in less money being there for your retirement benefits.

In some instances, the selection of investments for your account in a DC/401(k) plan may generate a higher rate of return than the interest credits in a cash balance plan. If so, you might be able to achieve a higher level of retirement income than a cash balance plan. In addition, cash balance plan benefits can be paid as a monthly annuity from retirement until your death, which can eliminate the risk of your outliving your retirement savings in a DC/401(k) plan. With some or all of your DC/401(k) plan account, you can purchase a commercial annuity that would also pay you a monthly lifetime benefit, but you might have to buy the annuity personally. The annuity option is an automatic feature of a cash balance plan.

Workers who do not contribute to their 401(k) accounts may not earn benefits in many DC plans; whereas, cash balance plans generally provide benefits to all full-time and many part-time employees. Also, the employer-provided benefits (the pay credits) are generally greater in cash balance plans than the employer match in many DC/401(k) plans.

Q. How could I be affected by a change to a cash balance plan?

A. For many people, especially younger workers and people who change jobs several times during their career, cash balance plans may provide more total retirement income. Some workers, however, especially middle-aged employees (who have many years of service with the same employer) and younger employees who will ultimately spend a full career with one employer may have their projected benefits reduced when their plan is converted from a traditional DB plan to a cash balance plan.

Traditional DB plans tend to reward long-service employees who remain with their employer until retirement age, whereas cash balance plans generally spread their benefit values more evenly by age and service. In a transition from a traditional DB plan to a cash balance plan, employees who have not yet earned the large benefits that typically come in the last few years before retirement may lose the opportunity to do so, unless the employer takes special steps to protect those benefits. Certain benefits, which tend to be unique to DB plans such as subsidized early retirement, death or disability benefits, may be phased out or eliminated altogether by the conversion to a cash balance plan.

Q. What can employers do to help those who could be negatively affected?

A. Employers can include transition provisions that lessen or eliminate the impact on workers who may be adversely affected by the change to a cash balance plan. This transition coverage is often referred to as the grandfathering of certain benefits or options. Some examples of transition provisions include:

- providing some or all workers with a minimum benefit equal to what they would have earned under the prior plan
- providing some employees with additional pay credits or interest credits to make up for losses they might experience under the new plan
- giving higher pay credits based on age or service
- giving some or all employees an option to remain in the old plan; and/or
- providing generous opening account balances for the cash balance plan.

Q. Could my employer use a cash balance plan to reduce my accrued benefits?

A. No. Federal law prohibits employers from reducing benefits you have already earned. For example, if you had already earned or accrued a benefit of \$600 per month under a traditional DB plan before it was changed to a cash balance plan, you would still be entitled to an annuity benefit of at least \$600 per month from your plan. Under the terms of your plan, your accrued benefit has a specific value equal to the monthly payments you are entitled to at retirement. This amount is frequently referred to as the present value of your accrued benefit. Essentially, the present value of your accrued benefit is the amount, if invested from now until your retirement, that would be needed to pay your monthly plan benefits due at retirement.

The law does not require your employer to set your initial cash balance account equal to the present value of the benefit that you had earned under the traditional DB plan. For example, if the present value of your accrued benefit was \$4,500 before the conversion, your initial cash balance account could be set higher or lower than \$4,500. However, upon leaving employment, you would be entitled to either the value of your cash balance account or the present value of your accrued benefit before the conversion, whichever is greater.

Q. How will the initial value of my cash balance account be determined?

A. Usually, your employer will determine the opening value of your cash balance account based on the present value of your accrued benefit under the traditional DB plan (\$4,500 in the above example). Your employer chooses certain assumptions such as interest rates, expected retirement date, and post-retirement life expectancy, in order to calculate this present value. Depending on the assumptions selected, you could start out with an account value greater or lower than the lump sum you accrued under the prior traditional DB plan. If the value of your account is lower, you may have to work several years before starting to accrue benefits on top of those you earned before the conversion from the traditional DB plan to the cash balance plan. This phenomenon is generally referred to as “wear-away” or “pension plateau.”

Q. If my plan is changed to a cash balance plan, what happens to the benefits I will earn in the future?

A. Current law does not prohibit employers from reducing *projected* benefits or from reducing the early retirement subsidy on benefits you might have expected to earn under a traditional DB plan. While your employer may not reduce the benefits you have already earned, your retirement plan can be amended to lower or even eliminate future benefits. When a plan is terminated, the accrual of benefits stops altogether.

For example, under a traditional DB plan, employees eligible for early retirement, such as attaining age 55 and completing 30 years of service, may be entitled to a subsidized early retirement benefit. The subsidy increases the benefits over what you might have received had you terminated employment before your early retirement age. If you were expecting an early retirement subsidy under a traditional DB plan, you may find the conversion to a cash balance plan eliminated the early retirement subsidy on benefits you earn after the plan amendment or conversion. The subsidy will still exist for benefits accrued before amendment or conversion.

Under your traditional DB plan, for example, you might need 30 years of service to receive an early retirement subsidy. Your employer could amend the plan to eliminate the subsidy when you have accumulated 29 years of

service. If that happens, you are entitled to about 97 percent (twenty-nine thirtieths) of the subsidy when you reach early retirement age. Usually, opening account balances in a cash balance plan will not reflect the value of any early retirement subsidy to which you may eventually be entitled. Sometimes, only part of the subsidy will be included in your initial cash balance account value.

A wear-away effect may also be caused by the exclusion of some or all of the early retirement subsidy when setting the initial cash balance account. Even if your original DB plan offered a lump sum, the early retirement subsidy may only be available if you receive your benefits as a lifetime annuity while the lump sum value of your benefit may exclude early retirement subsidies. Most plans do not include the value of early retirement subsidies in lump sums paid to retirees; they provide the subsidy only to those who take annuities. While the conversion to a cash balance plan may make this difference more obvious, it was probably true under the original DB plan as well.

Whether your future benefits under the cash balance plan are better or worse than what you would have earned under the original DB plan is often difficult to know. In some instances, you might have been better off under the original DB plan. Under certain circumstances, you may receive a better benefit from the cash balance plan. For many employees, it is not possible to accurately predict which plan will be better for you. In the original DB plan, you may have received a better benefit if you stayed until early retirement and received the subsidized early retirement benefit. However, if another opportunity came along and you changed jobs before you were eligible for the early retirement subsidy, the cash balance plan benefit may be greater than the benefit that would have been paid had the original DB plan still been in effect.

Q. Are cash balance plans just a way for my employer to save money?

A. There are a variety of reasons why employers switch to cash balance plans. In some cases, the cash balance plan may be less expensive than the original DB plan. In other instances, the cash balance plan will cost about the same as the original DB plan, but the cash balance plan allocates the money differently. Younger workers, for example, could receive a greater share of the total pension assets under the cash balance plan than they did under the original DB plan. Obviously, if the same amount of money is being contributed to the plan but more of the money is going to younger workers, then some older workers will receive a lower share of total pension assets.

Alternatively, employers might apply part or all the savings from a cash balance conversion to improving other benefits, such as increasing the employer match in your 401(k) plan or providing better retiree health insurance. In some cases, employer costs actually go up in a cash balance conversion. The increased cost may be short-term to cover certain benefits protected during the transition (i.e., the grandfathered benefits). Or the cost increase may be permanent because the conversion improved the overall level of benefits.

Q. Does a cash balance plan offer the same protection to spouses as a traditional pension plan?

A. Cash balance plans have to follow the same rules that require traditional DB plans to pay the survivor benefits to your spouse after your death—generally about one-half the value that you would have received. Rather than pay a reduced benefit, many cash balance plans will pay your spouse or beneficiary the same benefit you would have received if you had terminated employment. Further, cash balance plans often pay the full death benefit (in a lump sum or annuity) even if you were not married at the time of your death.

Q. What type of information am I entitled to receive if my employer switches to a cash balance plan?

A. Under current law, employers are required to provide written notice to employees when an amendment to their DB plan is expected to “significantly reduce” the rate of future benefit accrual for some or all active participants. This notice is often referred to as a “204(h)” notice, which refers to the section of the law that requires the notice. Employers are required to provide the notice at least 15 days before the change in benefits takes effect. An employer can legally satisfy the notice requirement by providing a summary or a copy of the amendment. Whether the conversion to a cash balance plan meets the requirement for having to send out a 204(h) notice depends on the specific designs of both the original DB plan and the cash balance plan, including any transition provisions.

Current law also requires employers to provide all plan participants with a summary plan description (SPD) that describes the terms of the plan in plain English. This normally must be done within 90 days of the time an employee becomes a plan participant. Whenever there is a major change to your pension plan (like a conversion to a cash balance plan), employers must provide participants with a summary of the changes (called a summary of material modifications or SMM) within 210 days after the end of the plan year in which they are adopted. The SMM must also be clear and understandable.

Q. What additional information should I ask my employer to provide?

A. Because the transition to a new benefit formula can be quite complex, some employees may have a hard time understanding how their projected benefit will change under the new plan formula if they rely solely on the information required by current law. For this reason, if you think a cash balance conversion could reduce your future benefit, you should ask your employer for more information. For example, if you are 40 to 50 years old and have worked more than 10 years for the same employer, your benefit could be adversely affected. Your employer can provide you with a description of the new plan provisions so you can estimate your future benefit. Most employers are willing to provide this information in the form of an equation, a spreadsheet, or a computer program. To properly estimate your benefits, you will need to make certain assumptions, such as how long you will continue to work for your employer and what you expect your future salary to be.

Q. What else do I need to know when planning for retirement?

A. It is important to understand how much money you will need to save for retirement and the source of that money, such as personal savings, IRAs, the benefits from your retirement plan, and Social Security benefits. As a rough rule of thumb, you will probably need a total retirement income (including your Social Security benefits) of at least 70 percent to 80 percent of your salary immediately before retirement in order to continue your pre retirement standard of living. The amount of retirement income you need can vary among individuals, based on your health, whether you have employer-provided health coverage after you retire, your marital status, lifestyle and debts. The earlier you plan on retiring, the more money you will need to save since it will have to provide income over a longer period.

While your employer is not obligated, many do provide information to assist you with your retirement planning. If your employer does not provide this information, helpful retirement planning software packages are available from companies such as Fidelity, Putnam, Quicken, T. Rowe Price, and Vanguard. A competent financial planner might also be able help you develop a workable strategy for achieving financial security in your retirement.

Q. Who else can provide information?

A. Several government agencies and private groups provide free consultation on pension questions. These include:

- **Pension and Welfare Benefits Administration (PWBA):** The PWBA, which is a branch of the Department of Labor, has published “Cash Balance Plans: Questions and Answers,” which is posted on the department’s Web site at www.dol.gov/dol/pwba. You may order it by calling (800) 998-7542. If you have additional questions, you can dial the 800 number to find the number of the nearest PWBA field office, or you can get the number from www.dol.gov/dol/pwba/public/contacts/foolist.htm. The PWBA is also accepting cash balance questions via e-mail at cbalance@pwba.dol.gov.
- **Pension Counseling Projects:** The Administration on Aging (www.aoa.gov), a federal agency that has the single charge of serving the nation’s 43 million senior citizens, funds 10 pension counseling projects that provide assistance to individuals in 15 states. If you live in one of following states, and have questions about your pension plan, call the corresponding phone number.

Alabama: (205) 348-1136
Arizona: (520) 790-7262
California: (415) 474-5171
Illinois: (312) 742-0552
Michigan: (517) 372-5959
Minnesota: (800) 365-8765 or
(651) 645-0261, ext. 121

Missouri: (314) 728-1516 or (202) 783-6686
New England (including Connecticut, Maine,
Massachusetts, New Hampshire, Rhode Island,
and Vermont): (617) 287-7300
New York: (212) 983-4000
Virginia: (804) 662-9321 or (540) 523-4202 or
(804) 732-7020

- **Social Security Administration (SSA):** www.ssa.gov. The Social Security Administration pays retirement benefits to about 38 million Americans. For many Americans, benefits from Social Security are a significant portion of their retirement income. In October 1999, SSA began sending benefit statements to workers age 25 or older who are not yet receiving Social Security benefits. If you qualify, your statement should arrive about 3 months before your birthday. You can also request a statement at any time. The statement contains a year-by-year display of earnings that have been reported to your Social Security record. You will also find estimates of the benefits you and your family may be eligible for now and in the future. Social Security has a toll-free number (800-772-1213) that you can call if you have any questions about your benefits.
- **AARP:** (202) 434-2277 or www.aarp.org. AARP is a nonprofit organization concerned with the interests of persons 50 years and older
- **American Academy of Actuaries (Academy):** www.actuary.org. The Academy is the public policy and professionalism organization for the entire United States actuarial profession. The Academy maintains the Pension Assistance List (PAL), which provides actuarial assistance to organizations that help individuals who have questions about their pension plans.
- **American Savings Education Council (ASEC):** www.asec.org. ASEC is a coalition of private and public sector institutions that undertakes initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC has established an information clearinghouse on saving initiatives, maintains a list of people and organizations to which interested parties can turn for information on savings issues and produces helpful savings tools, such as the *Ballpark Estimate*, that help individuals with their retirement planning.
- **Society of Actuaries:** (847) 706-3500 or www.soa.org. The Society of Actuaries is an education, research, and professional organization dedicated to serving the public and its members. The Society of Actuaries published a report, *A Benefit Value Comparison of a Cash Balance Plan With a Traditional Final Average Pay Defined Benefit Plan*, that compares the distribution of benefits under a cash balance plan with those under a traditional defined benefit plan. A copy of the report can be ordered by calling (847) 706-3500 or by going to the Society's Web site at www.soa.org.

Additional copies of this booklet can be obtained from the American Academy of Actuaries Web site at www.actuary.org or by calling the Academy at (202) 223-8196.