

## A

Accounting/actuarial  
 and retirement plans, 55–60  
 Accounting risk, 70  
 Actuarial budgeting, 56  
 Actuarial forecasting, 58–60  
 and contribution level, 60  
 and investment portfolio, 60  
 and time horizon, 59  
 Actuarial process, 55–58  
 manager's impact on, 57–58  
 Actuaries  
 and defined benefit plans, 13  
 Administrator roles and  
 responsibilities, 24–26  
 Alpha  
 and excess return, 121–124  
 Asset allocation  
 and accounting change, 72  
 and appropriate risk bearing, 72  
 and frozen defined benefit plans, 72  
 and risk management, 71–73  
 and tax arbitrage, 71–72  
 Asset-based solutions, 119–124  
 Asset management, 1  
 Automatic enrollment, 127–128

## B

Beta  
 and market return, 121  
 Bundled service providers, 131–133  
 Business culture, 102

## C

Capital structure, 52  
 Career average pay formula  
 versus final average pay, 14–16,  
 18–19  
 Compensation  
 retirements plans as part of, 92  
 Competitiveness  
 and retirement plan design, 90–91  
 Constructive Receipt Doctrine  
 and distributions favorably taxed, 8  
 and employee contributions, 7  
 qualification rules for, 8–11  
 suspension of, 7–8  
 and tax-deferred income, 7–8  
 Consultants, 29–30, 107–117  
 and conflicts of interest, 112–114  
 firms targeting, 115  
 and I-Engine, 116–117  
 and the Internet, 114–115  
 role of, 110–112  
 Corporate capital  
 competing uses for, 52  
 CRD. *See* Constructive Receipt  
 Doctrine.

## D

DB plans. *See* Defined benefit plans.  
 Deferred annuities  
 and 401(k) plans, 131  
 Defined benefit plans  
 accrual pattern of, 87–88

- Defined benefits plans (*continued*)  
 and career average pay formula  
 versus final average pay, 14–16  
 compared with defined contribution  
 plans, 19, 84–86, 88, 120  
 death of, 125–131  
 and finance, 49–73  
 and form of payment, 14–15  
 funding of, 11–15  
 and investment policy statement,  
 62–63  
 and IRS limitations, 16  
 and joint and survivor annuity, 15  
 and lump sum payment, 15  
 and Pension Benefit Guaranty  
 Corporation insurance, 12  
 and role of actuaries, 13  
 sample formulas for, 12–15  
 and single life annuity, 14  
 and timing of payment, 16  
 as wealth accumulation vehicle,  
 85–86
- Defined contribution plans  
 allocation methodologies for, 18  
 basic structure of, 16  
 and career average pay formula  
 versus final average pay, 18–19  
 compared with defined benefit  
 plans, 19, 84–86, 88, 120  
 and employee stock ownership  
 plans, 18  
 and finance, 73–77  
 and form of payment, 18  
 and 401(k) plans, 17  
 funding of, 17  
 and investment policy statement,  
 73–74  
 and IRS limitations, 19  
 and profit sharing plans, 17–18  
 sample formulas for, 17–18  
 stochastic modeling of, 88–90  
 and timing of payment, 18
- Delayed retirement, 135–137
- Demographics, 135–139
- Disability  
 and 401(k) plans, 130
- E**
- Employee relations, 1
- Employee Retirement Income Security  
 Act, 3
- Employee stock ownership plan, 18
- Employment  
 after retirement age, 135–138  
 and globalization, 125
- Enterprise risk management, 66–73,  
 133–135
- ERISA. *See* Employee Retirement  
 Income Security Act.
- ERM. *See* Enterprise risk management.
- Executives  
 and retirement plans, 92
- F**
- Fiduciary assessment tool, 35–36
- Fiduciary best practices, 38–42
- Fiduciary duty, 33–48
- Fiduciary setup, 36–42
- Finance, 49–77
- Financial service industry  
 and globalization, 124
- Financing benefit cost, 99
- 401(k) plans  
 and automatic enrollment, 127–128  
 DB-ification of, 125–131  
 and deferred annuities, 131  
 described, 17  
 and disability, 130  
 and employee investment elections,  
 128–130  
 employee participation in, 127–129  
 and finance, 73–77  
 investment options in, 40–42  
 and Sarbanes-Oxley Act, 43–45
- 404(C) compliance, 76
- Funded status  
 and impact on financial statement,  
 52–53

- and impact on investment risk tolerance, 53
  - of retirement plans, 50–52
  - sample plan, 51
  - Funding asset allocations and associated risks, 68
  - Funding options closing, 75–77
  - Funding policies and accrued benefits, 54
  - and factors to consider, 50–53
  - and maximum policy, 53–54
  - and rainy day policy, 54–55
  - of retirement plans, 50–55
  - sample of, 53–55
- G**
- Generational differences in outlook, 138–139
  - Globalization, 124–125
    - and accounting requirements, 124–125
    - and employment, 125
    - and financial service industry, 124
  - Governance tools
    - accounting/actuarial, 55–60
    - funding, 50–55
    - investment, 60–73
    - plan design, 79–106
  - Government resources, 141
- H**
- Health of retirees, 96–98, 137
  - Human resources, 79–106
    - and Sarbanes-Oxley Act, 46–47
  - Hybrid plans, 15–16
- I**
- IE-Engine, 116–117
  - The Internet
    - and consultants, 114–115
  - Internet resources, 141–145
  - Investment choices
    - employee control of, 93–96
  - Investment managers
    - selecting, 38, 121
  - Investment options
    - in 401(k) plans, 40–42
  - Investment performance review, 74–75
  - Investment policy statement
    - and defined benefit plans, 62–63
    - and defined contribution plans, 73–74
  - Investment portfolio
    - and actuarial forecasting, 60
  - Investment process
    - and asset allocation, 62
    - and constraints, 61
    - execution of, 63–66
    - and feedback, 66
    - and investment policy statement, 62–63
    - planning of, 61–63
    - and reducing interest rate risk, 65–66
    - and retirement plans, 60–73
    - and return goals, 61
    - and risk tolerance, 61
    - and time horizon, 61
    - and total retirement outsourcing, 63–65
  - Investment risk, 93–96
  - IPS. *See* Investment policy statement.
- J**
- Jumbo markets
    - and plan design, 86
- L**
- Legal and tax issues, 4
  - Life expectancy, 96–98
  - Longevity
    - and outliving one's assets, 96–98, 137
- M**
- Manager-of-manager model, 63–65
  - Market return

Market return (*continued*)

and beta, 121

Medical expenses

and retirees, 96–98, 137

Merging pension plans, 101–106

Modern portfolio theory, 121

Moral hazard, 69

## N

Nonqualified plans

basic structure of, 19–20

funding of, 20–21

## O

Operating benefit cost, 99

Outliving one's assets, 96–98, 137

Outside consultants, 29–30, 107–117

Outsourcing, 29–30, 107–117, 125

## P

PBGC. *See* Pension Benefit Guaranty Corporation insurance.

Pension Benefit Guaranty Corporation insurance

and defined benefit plans, 12

Phased retirement, 136–138

Political/regulatory risks, 69

Portable alpha, 119–124

Poverty

among senior citizens, 5–6

Profit sharing plan, 17–18

## R

Replacement income analysis, 81–83

Request for proposal, 28–29

Retiree relations, 1

Retirement plan design, 79–106

and competitiveness, 90–91

and employee perspective, 93

and national/regional surveys, 91

and targeted competitor lists, 91

Retirement plans

and accounting/actuarial, 55–60

adequacy of, 80–83

administration of, 23–32

and asset-based solutions, 119–124

basics of, 5–21

and changing demographics, 135–139

current trends, 119–139

and design modeling, 87–90

and design types, 11–21

and finance, 49–77

and funding, 50–55

and globalization, 124–125

history of, 2–3

human resources issues of, 80

and investment process, 60–73

overview of, 1–4

and relationship to total

compensation, 92

roles and responsibilities of

administrators, 24–26

and special employee groups, 92–93

RFP. *See* Request for proposal.

Risk management

and accounting risk, 70

and asset allocation, 71–73

and cash contributions/deficits, 70

and identifying risk, 69

and identifying stakeholders, 68–69

and moral hazard, 69

and mortality and other

demographic risk, 70

for pensions, 68–73

and political/regulatory risks, 69

and quantifying risk, 70–71

and risk-based premiums, 69

and risk separation and manager

risk, 71

and surplus risk, 70

## S

Sarbanes-Oxley Act

and blackout periods, 43–44

and controls, 45–46

and ERISA penalties, 44

and impact on 401(k) plans, 43–45

- and impact on human resources, 46–47
- and impact on pension plans, 43–46
- and impact on private companies, 48
- and loans to executives, 44
- and SAS 70 audit, 47–48
- SAS. *See* Statement on Auditing Standards.
- Social Security, 6
- SOX. *See* Sarbanes-Oxley Act.
- Statement on Auditing Standards 70
  - audit
    - and Sarbanes-Oxley Act, 47–48
- Studies and surveys
  - on the Internet, 142–145
- Surplus risk, 70
- Systems integration, 4

**T**

- Targeting retirement dollars, 84–85
- Tax overview, 7
- Time horizon
  - and actuarial forecasting, 59
- Total benefits outsourcing, 132–134
- Total retirement outsourcing, 63–65
- TRO. *See* Total retirement outsourcing.

**U**

- Unions
  - and retirement plans, 92–93

**V**

- Vendor management, 27–32
- Vendor relationships, 30–32
- Vendor selection, 27–30

