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Study of Pension Plan Terminations, 1974

Department of the Treasury

Department of Labor

May 1976

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Contents

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Tables

The report on single-employer plan terminations in 1974 was prepared by the Office of Tax Analysis, Treasury Department. The report on multi-employer pension plan terminations, 1965-1973, was prepared by the Pension and Welfare Benefit Administration, Labor Department. The Statistics Division, Internal Revenue Service, conducted the Treasury survey and processed the survey data. Many individuals contributed importantly to the preparation of the Treasury-Labor studies. Major contributions were made by Janet Barnhardt, Michael Bland, David Chapman, Paul Grayson and Karen Lipkind, all of the Internal Revenue Service, by Linden Smith of the Treasury Department and by Vincent Cicconi and Roger Comer of the Labor Department. In addition, the many pension plan specialists in the IRS District Offices provided the basic survey data and information in the Treasury study.

Contents

Tables

Introduction

The Treasury and Labor studies of plan terminations reported here are a follow-up of earlier studies. The original Treasury study covered pension plan terminations reported to the Internal Revenue Service during 1972. Although appropriate for single-employer plans, the one-year Treasury study was not expected to yield sufficient data on multi-employer plan terminations because few multi-employer plans terminate in any given year. Accordingly, the Labor Department undertook a study of multi-employer plan terminations reported to that Department for the years 1965 through 1971. The findings from these studies were presented in a joint Treasury-Labor publication, Study of Pension Plan Terminations, 1972 issued in August 1973. The studies measured the extent and character of benefit losses among participants in terminating plans and the findings were useful in the preparation of pension legislation.

The second round of Treasury-Labor studies, the findings of which are presented in this report, was planned during the legislative deliberations on pension reform. The second Treasury study covered pension plan terminations in 1974[1/] and used the methodology of the 1972 Treasury study. The second Labor study of multi-employer plans extends the original study period (1965-1971) through 1973.

During the time interval in which the second studies were underway, Congress enacted major pension reform in the Employee Retirement Income Security Act (ERISA). Concern about losses

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1/ More specifically the study covers plans reporting terminations to the Internal Revenue Service during the 12 months ending August 1974; of the 1,314 terminations covered, all but 38 were for single-employer plans.

attributable to insufficient assets on plan terminations, as indicated by the 1972 study results, led to inclusion in ERISA of (1) minimum funding standards to improve sufficiency of assets and reduce the risks of benefit losses and (2) termination insurance to protect against benefit losses in the event of plan terminations for covered defined benefit plans.

Under ERISA, the Pension Benefit Guaranty Corporation was established as the government insurer financed by premiums paid by covered plans. To date, PBGC has had less than two years experience. Detailed information on the losses and characteristics of terminated plans processed by PBGC, and participants and their employers are not yet available. In the absence of such data, the current Treasury-Labor study results are useful, even though the reported terminations in the study preceded the establishment of termination insurance.

The methodologies and basic concepts in this 1974 report were the same as those in the 1972 report. A detailed discussion of the methodologies, concepts, survey forms, etc. is presented in the 1972 report and is not repeated here.

Part II of this report presents some highlights from the studies. Parts III, IV and V present the detailed results of the 1974 Treasury study.1/ Part VI presents the detailed results of the Labor study. Appendix A provides a brief explanation of the termination insurance program under ERISA. Appendix B provides revised Tables 4-6 and 5-4 for the Treasury study in the 1972 report.

1/ In some tables, data have been combined or not provided to preclude unauthorized disclosure.

II

Highlights

Single-employer plans (Treasury study)

-- 1,314 single employer deferred benefit pension plan terminations (with 40,500 claimants (current participants,vested former employees and retirees) were reported during 1974.

-- 20,700 claimants in 711 plans had no losses because the plans had sufficient assets to cover all accrued benefits.

-- 596 plans had insufficient assets at termination and 16,500 out of 19,400 claimants in those plans lost benefits.

-- Even though more plans terminated with losses in 1974 than in 1972, (596 compared with 546) there were fewer claimants in plans with losses in 1974 and lower losses per claimant.

-- The average loss per claimant with loss was $2,103 and the value of benefits lost was $34.7 million.

-- About 5,600 claimants with losses had vested benefits and their average loss was about $3,200.

-- Slightly less than half of the retirees in plans with losses experienced losses; over 90 percent of current employees in those plans also experienced losses.

-- Only 15 of the 596 plans with losses had superseding pension plans; the 15 plans included 2 percent of all claimants with losses.

-- Two-thirds of the claimants with losses were in plans in operation 5 years or more prior to termination.

-- The majority of terminated plans in 1974 were small (less than 10 claimants) but accounted for only 8 percent of all claimants with losses. A few large plans (500 claimants or more) accounted for 21 percent of claimants with losses.

-- The majority of plans terminated because of specific business actions, such as sale, transfer, or merger of the business; liquidation, dissolution, or bankruptcy of the business, and the closing of a plant, division, or subsidiary.

Multi-employer plans (Labor study)

-- 121 jointly-administered multi-employer pension plans under collective bargaining reported termination between 1965 and the end of 1973.

-- Benefit losses among multi-employer plans had a low incidence, about one percent of the participants in terminated multi-employer plans. Nevertheless those who lost benefits, lost most of their accrued benefits.

-- Most multi-employer plans terminated because of merger into another plan. A few terminated because of financial insolvency.

III

Number of Terminations and Claimants and Extent of Benefit Losses

The study covered 1,314 pension plan terminations (with 40,500 claimants) reported during 1974. All 20,700 claimants in 711 plans had no losses because these plans had sufficient assets to cover all accrued benefits. About 16,500 out of 19,400 claimants in 596 plans lost benefits because of insufficient assets at termination.[1/] (See Tables III-1 and III-2.)

Typically, those who lost benefits lost almost 50 percent of their benefits. The average present value of benefits lost per claimant was $2,103. The total present value of benefits lost for all claimants was $34.7 million.

Approximately 5,600 of the claimants with losses had vested benefits, i.e., they were retirees, persons eligible for early or normal retirement, and current or past plan participants with vested benefit rights. The average present value of benefits lost by the 5,600 vested claimants was about $3,200. The total benefits lost by all claimants in these specific categories were $17.7 million. Another $17 million of benefits was lost by 10,900 other active participants, including an unknown number who were partially vested before termination.

1/ Benefit data are not available for 7 plans with 344 claimants.

Table III-1

Comparison of 1974 and 1972 Treasury Department
Studies of Pension Plan Terminations

	1974	1972	
		Published report	Two large loss Plans excluded
1. Number of terminating plans	1,314	1,227	1,225
2. Number of claimants	40,532	42,019	38,993
a. Average number of claimants per plan (2/1)	30.8	34.2	31.8
3. Number of plans with losses	596	546	544
a. Percent of plans with losses (3/1)	45.4%	44.5%	44.1%
4. Number of claimants with losses	16,507	19,396	16,370
a. Percent of claimants with losses (4/2)	40.7%	46.2%	42.0%
b. Average number of claimants with losses per plan with losses (4/3)	27.7	35.5	30.1
5. Total accrued benefits of plans (present value) ($ thousand)	$205,838	$189,416	$160,584
6. Total accrued benefits of plans with losses (present value) ($ thousand)	$73,958	$91,065	$62,232
7. Total amount of benefits lost ($ thousand)	$34,721	$48,694	$32,762
8. Benefits per claimant with loss (present value) (6/4)	$4,480	$4,695	$3,802
9. Average loss per claimant with loss (7/4)	$2,103	$2,510	$2,001
10. Percent of benefits lost by claimants with loss (7/6)	46.9%	53.5%	52.6%
11. Loss per plan with losses (7/3)	$58,257	$89,183	$60,224

When compared with the findings of the 1972 study, there were more terminating plans in 1974 but the number of losing claimants was less by about 2,900 or 15 percent. Of the 16,500 claimants with losses, 34 percent were retired, eligible for retirement, fully vested, or vested former employees (the so-called "high priority" claimants), down from 44 percent in 1972. The aggregate loss of $34.7 million was down by 28 percent -- almost $14 million -- from the $48.7 million lost in 1972.

The lower amount of losses in 1974 is attributed to (1) fewer claimants per plan with losses and (2) lower losses per claimants. The average amount of benefits lost in 1974 was $2,103 per claimant with loss, which was 47 percent of the claimant's total benefits (present value). In 1972, the benefits lost was $2,510 per claimant which was 54 percent of the claimant's total benefits (present value). Total benefits accrued per claimant with loss was roughly the same in 1974 as in 1972.

In comparing the 1972 and 1974 studies, it is interesting to note that the earlier study included two large plans with large losses. If these two plans are excluded from the 1972 data, many of the differences between the results of the two studies are substantially reduced. Average benefits lost in 1972 by claimants with loss drops to $3,802 per claimant after the "adjustment"--$680 lower than the 1974 figure. Without adjustment, the average 1972 benefit loss was $215 greater than in 1974. This does not mean, of course, that the 1974 results are "truer" or "more representative", since losses attributable to large plan termination should be expected to occur from time to time.

Categories of Claimants in Terminated Plans

Under law in effect in the survey year when a qualified pension plan terminates, all active participants including those who have not vested prior to termination, vest in their accrued benefits. That is to say, they have legal claims against the assets of the pension plan. Those who have already retired and former employees who leave the scope of the plan before retirement with vested rights also have legal claims against the plan. However, unless the plan has sufficient assets, some claimants will receive less than the present value of their accrued benefits. Pension plans usually establish priorities for distributing funds. One would expect plans first to allocate funds to satisfy in full the claims of retirees and other current beneficiaries. If any funds remain, these would be used to pay the claims, in descending order, of participants eligible for retirement (normal and then early retirement), current and past participants with deferred vested rights, and then all other active participants.

Table III-2 shows number of claimants in all terminated plans, terminated plans without losses and in terminated plans with benefit losses by these categories of claimants. There are persons experiencing benefit losses in each claimant category, although losses are most widespread among the lower priority categories. Overall 48 percent of all claimants were in plans with losses while 41 percent actually experienced losses. Those who experienced losses represented 85 percent of the claimants in plans with losses. Forty-seven percent of the retirees (category 1) in plans with losses experienced losses, while 92 percent of current employees in those plans (category 2, 3, 4, and 6) also experienced losses. About 82 percent of former employees with deferred vested rights experienced losses in those plans.

Amounts Lost in Terminated Pension Plans

Typically, benefits accrue with years of service. Thus, accrued benefits will usually be higher the longer the service of the employee. Benefit formulas are often linked to career or final compensation levels, either explicitly as a percentage of pay for each year of service, or implicitly in the form of fixed dollar amounts per year of service which are adjusted periodically. As compensation levels increase, or as benefit formulas are liberalized, benefit levels increase also. However, these increases usually are not shared with persons who cease active participation in the plan either through

TABLE III-2

NUMBER OF PERSONS IN TERMINATED PENSION PLANS
BY CATEGORY OF CLAIMANT, 1974

CATEGORY OF CLAIMANT 1/	NUMBER OF CLAIMANTS		PLANS WITH LOSSES 4/			CLAIMANTS IN PLANS WITH LOSSES AS % OF ALL CLAIMANTS (3/1)	CLAIMANTS WITH LOSS AS % OF ALL CLAIMANTS (4/1)
	ALL TERMINATED PLANS 2/	PLANS WITH NO LOSSES 3/	TOTAL NUMBER OF CLAIMANTS	CLAIMANTS WITH LOSS			
				NUMBER	PERCENT OF TOTAL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL	40,532	20,741	19,447	16,507	84.9	48.0	40.7
1. RETIREES AND BENEFICIARIES	5812	3197	2615	1226	46.9	45.0	21.1
2. PARTICIPANTS ELIGIBLE FOR NORMAL RETIREMENT	977	762	215	149	69.3	22.0	15.3
3. PARTICIPANTS ELIGIBLE FOR EARLY RETIREMENT	2372	1166	1206	800	66.3	50.8	33.7
4. PARTICIPANTS FULLY VESTED	5566	2788	2778	2379	85.6	49.9	42.7
5. FORMER EMPLOYEES WITH DEFERRED VESTED RIGHTS	2697	1371	1233	1007	81.7	45.7	37.3
6. ALL OTHER ACTIVE PARTICIPANTS	23,108	11,457	11,400	10,946	96.0	49.3	47.4

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OFFICE OF TAX ANALYSIS

May 1976

1/ Each claimant was assigned to the highest priority category for which he was eligible. Consequently, a claimant is only counted once.

2/ 1,314 terminated plans

3/ 711 terminated plans with no loss. Sum of columns 2 and 3 will not equal column 1 due to the exclusion of 7 plans with 344 claimants where benefit situation is unknown.

4/ 596 terminated plans with losses

retirement or by leaving the plan before retirement. Thus, the accrued benefits of retired employees and former employees with vested rights may be less than for active employees with the same amount of service. The present value of accrued benefits is related both to the amount of accrued benefits and the age of an employee. The older the employee, the smaller is the discount for benefits payable at retirement.

Table III-3 shows the present values of accrued benefits and amounts distributed for claimants with losses. The data indicate that 54 percent of these claimants lost at least one-half of their accrued benefits while 20 percent lost all benefits. The average present value of lost benefits is about $2,100 for all claimants and about $3,700 for retirees. Amounts distributed to retirees were not a larger proportion of their claims than employees eligible for retirement. This indicates that retirees did not have the highest priority in the allocation of assets. Retirees with losses received on the average 63 percent of their accrued benefits.

Categories 2 and 3, participants eligible for normal and early retirement, contain the oldest, long-service, active employees. They have the highest present values of accrued benefits among the claimants with losses and the highest average dollar amounts of benefit loss (present value), $6,800 and $5,100 respectively.

Fully vested participants and former employees with deferred claims (categories 4 and 5) experienced average losses of $2,400

TABLE III-3

PRESENT VALUE OF ACCRUED BENEFITS AND AMOUNTS DISTRIBUTED
FOR CLAIMANTS WITH LOSSES, 1974

CATEGORY OF CLAIMANT	TOTAL NUMBER OF CLAIMANTS	CLAIMANTS WITH NO LOSS: NUMBER OF CLAIMANTS	CLAIMANTS WITH NO LOSS: PRESENT VALUE OF ACCRUED BENEFITS PER CLAIMANT	CLAIMANTS WITH LOSSES: TOTAL NUMBER OF CLAIMANTS WITH LOSSES	CLAIMANTS WITH LOSSES: PRESENT VALUE OF ACCRUED BENEFITS PER CLAIMANT	AMOUNT DISTRIBUTED: DOLLARS PER CLAIMANT	AMOUNT DISTRIBUTED: AS % OF PRESENT VALUE (6/5)	CLAIMANTS WITH LOSS OF AT LEAST 50% OF P.V.: NUMBER	CLAIMANTS WITH LOSS OF AT LEAST 50% OF P.V.: % OF TOTAL CLAIMANTS W/LOSSES (8/4)	CLAIMANTS LOSING ALL BENEFITS: NUMBER	CLAIMANTS LOSING ALL BENEFITS: % OF TOTAL CLAIMANTS WITH LOSSES (10/4)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
TOTAL	40,532	23,681	$ 5569	16,507	$ 4480	$ 2377	53%	8937	54%	3349	20%
1. RETIREES AND BENEFICIARIES	5812	4586	8939	1226	9995	6249	63	368	30		
2. PARTICIPANTS ELIGIBLE FOR NORMAL RETIREMENT	977	828	10,720	149	18,936	12,178	64	45	30		1
3. PARTICIPANTS ELIGIBLE FOR EARLY RETIREMENT	2372	1572	12,657	800	13,619	8562	63	159	20	52	6
4. PARTICIPANTS FULLY VESTED	5566	3187	6380	2379	4851	2406	50	1200	50	709	30
5. FORMER EMPLOYEES WITH DEFERRED VESTED RIGHTS	2697	1597	4853	1007	3314	1077	32	848	84	145	14
6. ALL OTHER ACTIVE PARTICIPANTS	23,108	11,911	2806	10,946	3025	1471	49	6317	58	2439	22

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OFFICE OF TAX ANALYSIS

May 1976

and $2,200 respectively. All other active participants with losses experienced an average loss of about $1,600. It is noteworthy that, although former employees with deferred claims might be treated preferentially over nonvested active participants, the study found that in practice the plans often treated this group less favorably. Plans distributed 32 percent of accrued benefits to former employees while all nonvested employees received 49 percent of accrued benefits.

In 1974, the average present value of accrued benefits, as in 1972, was higher for the first 3 listed categories (retirees and beneficiaries and claimants eligible for normal and early retirement) than for the other categories. Within each of those first 3 categories, the present value averaged higher among those with losses than for those without losses. (Among claimants as a whole, the reverse was true.) As in 1972, it was found that former employees with deferred vesting rights were the least favored class in two respects: they received the smallest proportion--32 percent--of their PV; and 84 percent of those with losses--more than in any other category lost at least 50 percent of their benefits.

Distribution Priorities within Claimant Category, "All Other Active Participants"

Average accrued benefits and the average dollar loss are smallest for claimants in the category "all other participants." In general this reflects the relatively younger, shorter service characteristics of persons in this category. But there are older persons in this category as well, particularly in the plans with limited vesting provisions. Moreover, while the survey data does not show it, some terminated plans had age priorities for the distribution of plan assets among claimants in this category. In these cases, the survey did not generally show the substantial difference in benefit losses experienced by older and younger claimants.

Claimants with Losses Going into New Plans

While a number of terminated pension plans do not have sufficient assets to pay all accrued benefits, in some cases claimants may be taken into new pension plans. If the new plan assumes the assets and liabilities of the old plan, claimants may not lose benefits. As is discussed later in the Labor study, most multi-employer plans that terminated between 1965 and 1973 were merged into larger multi-employer plans which assumed the liabilities of the terminated plans. However, as shown in Table III-4 only 15 of the 596 plans reported terminated in 1974 with claimant losses had superseding pension plans. The number of claimants with losses in these 15 plans accounted for only 2 percent of all claimants with losses. In 1972, claimants in losing plans superseded by pension plans were 12 percent of all claimants with losses.

Seventy-two plans that terminated with claimant losses had other types of superseding plans, particularly profit-sharing plans. These plans accounted for 10 percent of all claimants with losses. A superseding profit-sharing plan would not assume the liabilities of the terminated pension plan although it would offer the claimants from the terminated plan an opportunity to accumulate future retirement benefits.

TABLE III-4

CLAIMANTS WITH LOSSES IN TERMINATED PENSION PLANS SUPERSEDED OR NOT SUPERSEDED BY NEW PLANS, 1974

CATEGORY OF CLAIMANTS	ALL TERMINATED PLANS WITH LOSSES: NUMBER OF CLAIMANTS WITH LOSSES	ALL TERMINATED PLANS WITH LOSSES: % IN CATEGORY	TERMINATED PLANS WITH NEW PENSION PLANS: NUMBER OF CLAIMANTS WITH LOSSES	TERMINATED PLANS WITH NEW PENSION PLANS: % IN CATEGORY (3/1)	TERMINATED PLANS WITH OTHER NEW PLANS: NUMBER OF CLAIMANTS WITH LOSSES	TERMINATED PLANS WITH OTHER NEW PLANS: % IN CATEGORY (5/1)	TERMINATED PLANS WITH NO NEW PLANS: NUMBER OF CLAIMANTS WITH LOSSES	TERMINATED PLANS WITH NO NEW PLANS: % IN CATEGORY (7/1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. RETIREES AND BENEFICIARIES	1226	100.0	8	.7	29	2.4	1189	97.0
2. PARTICIPANTS ELIGIBLE FOR NORMAL RETIREMENT	149	100.0	14	9.4	5	3.4	130	87.2
3. PARTICIPANTS ELIGIBLE FOR EARLY RETIREMENT	800	100.0	17	2.1	83	10.4	700	87.5
4. PARTICIPANTS FULLY VESTED PRIOR TO TERMINATION	2379	100.0	15	.6	95	4.0	2269	95.4
5. FORMER EMPLOYEES WITH DEFERRED CLAIMS	1007	100.0	15	1.5	20	2.0	972	96.5
6. ALL OTHER ACTIVE PARTICIPANTS	10,946	100.0	234	2.1	1498	13.7	9214	84.2
7. TOTAL	16,507	100.0	303	1.8	1730	10.5	14,474	87.7
NUMBER OF PLANS	596		15		72		509	

As shown in Table III-4, there were about 14,500 claimants with losses in 509 terminated plans with no superseding plan of any kind. These claimants account for 88 percent of all claimants with losses.

Aggregate Value of Benefits Lost

Table III-5 shows the value of benefits lost by claimant category. In aggregate, the present value of benefits lost by all claimants in surveyed plans is about $34.7 million. The high-priority claimants--retirees, participants eligible for retirement (early and normal), fully vested participants and vested former employees--account for one third of all claimants with losses and one-half of the value of benefits lost.

The figures of Table III-5 include benefit losses of the 16,507 claimants, who in some cases, would be included in new, superseding pension plans (only 303 claimants in 15 plans). Their losses could be made good by the new plans. However, there is no measure in the study of the extent of losses recovered in new plans. Table III-5 , therefore, somewhat overstates the losses that actually occur.

The claims of "all other active" participants accounted for about one-half of the aggregate dollar losses of $34.7 million sustained by all claimants; in 1972, this category accounted for only 29 percent of the total loss.

Benefit Losses in Relation to the Private Pension System

At present, about 30 million workers, are covered by private pension plans. The 40,500 claimants in plans reported terminated during 1974 and the 16,507 claimants with losses amount to only

TABLE III-5

PRESENT VALUE OF BENEFITS LOST BY CLAIMANT CATEGORY, 1974

CATEGORY OF CLAIMANT	NUMBER OF CLAIMANTS WITH LOSSES	AVERAGE LOSS	LOSS BY CLAIMANT CATEGORY	LOSS BY CATEGORY AS PERCENT OF TOTAL LOSS	CUMULATIVE LOSS BY CATEGORY AS PERCENT OF TOTAL LOSS
	(1)	(2)	(3)	(4)	(5)
1. RETIREES AND BENEFICIARIES	1226	$3746	$ 4,592,700	13.2%	13.2%
2. PARTICIPANTS ELIGIBLE FOR NORMAL RETIREMENT	149	6758	1,007,000	2.9	16.1
3. PARTICIPANTS ELIGIBLE FOR EARLY RETIREMENT	800	5057	4,045,900	11.7	27.8
4. PARTICIPANTS FULLY VESTED	2379	2445	5,817,800	16.8	44.5
5. FORMER EMPLOYEES WITH DEFERRED VESTED RIGHTS	1007	2238	2,253,500	6.5	51.0
6. ALL OTHER ACTIVE PARTICIPANTS	10,946	1553	17,004,000	49.0	100.0
ALL CLAIMANTS	16,507	$2103	$34,720,900	100.0	100.0

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OFFICE OF TAX ANALYSIS

May 1976

0.135 percent and 0.055 percent, respectively, of workers covered by private pension plans. If one assumed that the risk to an average worker of benefit loss due to plan termination were about 0.055 percent annually (i.e., 1974 was a typical year), the risk of benefit loss over a 10-year period of plan participation would be 0.55 percent and over a 30-year period, 1.65 percent.

IV

Characteristics of Terminated Plans

The study provided data on plan characteristics including distribution of plans and claimants by plan age, size, method of funding, and reported reason for termination. Information is also provided on the employment patterns of plans in the years prior to termination.

In general, most claimants, and most claimants with losses, were in plans with 100 or more claimants, and in plans at least 5 years old at time of termination. About one-half of the plans experienced declining numbers of participants during the years prior to termination. Almost one-half of the terminations were due to poor business earnings or closing of the business. Those terminations accounted for almost one-third of all claimants with losses. But terminations may also be due to the closure of a particular plant, division, or subsidiary, but not the entire firm. Those terminations were only 6 percent of all terminations but accounted for 38 percent of claimants with losses.

Distribution of Claimants by Age of Plan

Newly established plans usually grant past service credits to their active employees, thus creating initial unfunded liabilities. Should such a plan terminate before this liability is funded, losses would result. If the termination comes early in the life of the plan, one would expect losses to occur. But older plans, too can have substantial unfunded liabilities, either because original liabilities were not funded or because additional unfunded liabilities had been created through benefit increases based on past as well as future service of plan participants. Both young and old plans terminated with unfunded liabilities, and therefore benefit losses.

While the majority of all claimants were in older plans (10 years or more) about one-third of the claimants with losses were in those older plans. But the great majority of claimants with losses, 67 percent, were in plans at least 5 years of age at time of termination. (See Table IV-1.)

<u>Categories of Claimants With Losses By Age of Plan</u>

There are significant differences in the importance of categories of claimants with losses among plans of varying age groups. Specifically, vested claimants and retirees are a much higher proportion of claimants losing benefits among the plans at least 5 years old. Table IV-2 shows the distribution of claimants with losses by plans in broad age group categories.

High priority claimants as a group (retirees, claimants eligible for early or normal retirement, vested claimants, and former employees with deferred claims) account for only about 10 percent of all claimants with losses in plans under 5 years of age. But high priority claimants account for 45 percent of claimants with losses in plans at least 5 years old. Retirees account for about one percent of claimants with losses in all plans under 5 years old. In plans 5 years old or more, retirees account for 11 percent of all claimants with losses.

TABLE IV-1

DISTRIBUTION OF CLAIMANTS BY AGE OF TERMINATED PLAN, 1974

AGE OF PLAN	ALL PLANS			PLANS WITH LOSSES				
	NUMBER	CLAIMANTS		NUMBER OF PLANS	NUMBER OF CLAIMANTS	CLAIMANTS WITH LOSSES		
		NUMBER	CUMULATIVE PERCENT			NUMBER	CUMULATIVE PERCENT	AS % OF ALL CLAIMANTS IN AGE GROUP
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
TOTAL	1314	40,532	-	596	19,447	16,507	-	40.7
UNDER ONE YEAR	27	300	.7	10	111	111	.7	37.0
1 UNDER 3 YEARS	187	3611	9.5	94	2732	2679	16.9	74.2
3 UNDER 5 YEARS	256	4267	20.2	148	2922	2702	33.3	63.3
5 UNDER 10 YEARS	433	11,537	48.6	206	6051	5006	63.6	43.4
10 YEARS AND OVER	411	20,817	100.0	138	7631	6009	100.0	28.9

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OFFICE OF TAX ANALYSIS

May 1976

TABLE IV-2

CLAIMANTS WITH LOSSES BY CLAIMANT CATEGORY AND AGE OF PLAN, 1974

AGE OF PLAN	TOTAL	"HIGH PRIORITY" CLAIMANTS: TOTAL (3+4+5)	RETIREES	CLAIMANTS ELIGIBLE FOR NORMAL AND EARLY RETIREMENT	FULLY VESTED CLAIMANTS AND FORMER EMPLOYEES WITH DEFERRED CLAIMS	OTHER ACTIVE PARTICIPANTS AND UNCLASSIFIED CLAIMANTS
	(1)	(2)	(3)	(4)	(5)	(6)
TOTAL						
NO. OF CLAIMANTS	16,507	5561	1226	949	3386	10,946
PERCENT OF TOTAL	100	34	7	6	21	66
UNDER 3 YEARS						
NO. OF CLAIMANTS	2790	377	45	44	288	2413
PERCENT OF TOTAL	100	14	2	2	10	86
3 YEARS UNDER 5						
NO. OF CLAIMANTS	2702	186	17	49	120	2516
PERCENT OF TOTAL	100	7	1	2	4	93
5 YEARS UNDER 10						
NO. OF CLAIMANTS	5006	2276	579	537	1160	2730
PERCENT OF TOTAL	100	45	12	11	23	55
10 YEARS OR MORE						
NO. OF CLAIMANTS	6009	2722	585	319	1818	3287
PERCENT OF TOTAL	100	45	10	5	30	55

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF TAX ANALYSIS

May 1976

This pattern of categories of claimants with losses by age of plan is not unexpected. When a pension plan is established, it is unlikely to have any outstanding obligations to retired or other former employees. Moreover, if vesting provisions (where there are any) apply solely to service after establishment of a plan, no one, initially, would be vested. As a plan gets older, the number of retirees increases, while increasing number of active employees will qualify for early retirement or vesting. Thus, one would expect older terminated plans in general to have a greater proportion of high-priority claimants.

Amount of Benefit Losses by Age of Plan

Table IV-3 shows the distribution of present values of benefits lost by age of plan at termination. As is shown, plans less than 3 years old account for only 10 percent of total benefit losses. Plans at least 5 years of age, but under 10 years of age at time of termination account for 32 percent of benefit losses, while those plans 10 years of age and older account for 43 percent of benefit losses. The distribution of benefit losses is more concentrated among older plans than the distribution of claimants with losses. This reflects the higher average benefit loss in older plans. Claimants with losses in plans less than 3 years old lost an average of $1,244. The average loss was $1,929 for plans at least 3 years old but under 5 years, and $2,212 for plans at least 5 years

TABLE IV-3

DISTRIBUTION OF BENEFIT LOSSES BY AGE OF PLAN, 1974

AGE OF PLAN	NUMBER OF CLAIMANTS WITH LOSSES	PRESENT VALUE OF BENEFITS LOST	AVERAGE LOSS PER CLAIMANT WITH LOSS	PRESENT VALUE OF BENEFITS LOST AS % OF TOTAL	CUMULATIVE % OF BENEFITS LOST	CUMULATIVE % OF CLAIMANTS WITH LOSSES
	(1)	(2)	(3)	(4)	(5)	(6)
UNDER 3 YEARS	2790.	$ 3,470,700.	$1244.	10.0%	10.0%	16.9%
3 UNDER 5 YEARS	2702.	5,213,100.	1929.	15.0	25.0	33.3
5 UNDER 10 YEARS	5006.	11,074,300.	2212.	31.9	56.9	63.6
10 YEARS AND OVER	6009.	14,962,800.	2490.	43.1	100.0	100.0
TOTAL	16,507.	$34,720,900.	$2103.	100.0%	100.0%	100.0%

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF TAX ANALYSIS

May 1976

old but under 10 years. Among plans 10 years of age and over, the average loss per claimant with loss is $2,490 about twice as much as the average loss in the youngest age group of plans. The higher average losses in older plans are due in large part to the greater proportion of high priority claimants with losses in older plans. Average losses by high-priority claimants are greater than the average losses for other claimants.

Size of Plans

The majority of terminated plans are small. As shown in Table IV-4, 781 or 59 percent of the 1,314 plans in the survey had fewer than 10 claimants. But only 8 percent of all claimants and of all claimants with losses were in such plans. On the other hand, only a few large plans (500 claimants or more) accounted for 21 percent of all claimants and of claimants with losses.

There was no explainable pattern with respect to the proportion of claimants with losses within each size group. Small and large plans show about the same proportion of claimants with losses--roughly the same as the overall average of 41 percent of claimants.

On the other hand, those who do lose benefits in the smaller plans show larger than average losses. It is noteworthy that considerably lower losses per claimant occurred in the six largest plans with 500 or more participants.

TABLE IV-4

DISTRIBUTION OF CLAIMANTS BY SIZE--NUMBER OF CLAIMANTS--OF TERMINATED PLAN, 1974

SIZE OF PLAN --NUMBER OF CLAIMANTS	ALL PLANS			PLANS WITH LOSSES				
	NUMBER	CLAIMANTS		NUMBER OF PLANS	NUMBER OF CLAIMANTS	CLAIMANTS WITH LOSSES		
		NUMBER	CUMULATIVE PERCENT			NUMBER	CUMULATIVE PERCENT	AS % OF ALL CLAIMANTS IN SIZE GROUP
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
TOTAL	1314	40,532	–	596	19,447	16,507	–	40.7
UNDER 3	245	395	.97	98	164	162	.98	41.0
3 UNDER 5	224	774	2.88	105	364	337	3.02	43.5
5 UNDER 10	312	2073	8.00	135	901	842	8.12	40.6
10 UNDER 20	223	3021	15.45	111	1508	1370	16.42	45.3
20 UNDER 50	153	4440	26.41	72	2062	1787	27.25	40.2
50 UNDER 100	74	5160	39.14	29	1971	1689	37.48	32.7
100 UNDER 250	47	7680	58.08	28	4378	3729	60.07	48.6
250 UNDER 500	25	8546	79.17	12	3991	3092	78.80	36.2
500 AND OVER	11	8443	100.00	6	4108	3499	100.00	41.4

Number of Claimants In Plan	Present Value of Benefits Lost	Percent of Total Loss	Present Value of Benefits Lost Per Clmt. With Loss
Under 10	$ 5,339,600	15%	$3,982
10 under 100	12,843,000	37	2,650
100 under 250	4,640,800	13	1,245
250 under 500	8,878,900	26	2,872
500 under 1000	2,304,500	7	921
1000 and over	714,100	2	716
Total	$34,720,900	100%	$2,103

Plans with fewer than 10 claimants account for 15 percent of total losses, but they account for 8 percent of all claimants with losses. The average benefit loss in the smaller plans is almost twice the average loss for all plans. Some of the high losses in the small plans are attributable to claimants who were owner-employees of the firms that terminated the plans.

Two main differences emerge from a comparison of the results of this study with the 1972 study: (1) the tendency seen here for average benefits lost per claimant with loss to decline with increasing size of plan was not apparent in the 1972 study; (2) while plans of 1,000 or more participants in 1974 accounted for only 2 percent of the total in lost benefits, plans of this size in 1972 accounted for 33 percent of the total loss.

Medium of Funding

The incidence of claimant losses in plan terminations is related to the medium of funding. Roughly the same number of self-insured plans terminated in 1974 as the number of carrier-insured plans. However, the self-insured plans were substantially larger plans. As shown in Table IV-5, 24,429 or 60 percent of all 40,532 claimants were in 404 relatively large plans which were self-insured. In 378 of these self-insured plans, assets were placed in general investments. The remainder were invested solely in mutual funds (regulated investment companies).

Benefit losses were reported in almost half of the self-insured plans. The 193 self-insured plans with losses accounted for 60 percent of all claimants with losses.

The incidence of losses among the 391 plans which were funded exclusively through an insurance carrier in the form of individual or group annuity-type contracts was far less. These insured plans with losses accounted for only 20 percent of all claimants with losses.

The incidence of benefit loss was less for plans funded exclusively through individual annuity contracts. A plan funded exclusively through individual annuity contracts has by its nature no unfunded past service liabilities. Also, scheduled benefits are guaranteed to the extent premiums are paid. Except for the earliest

Table IV-5

Distribution of Claimants By Medium of Funding, 1974

Medium of Funding	All plans		Plans with losses				
				Claimants		Claimants with losses as percent of all claimants (5/2)	Claimants with losses as percent of all claimants in plans with losses (5/4)
	Number of plans	Number of claimants	Number of plans	Total number	Number with losses		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	1,314	40,532	596	19,447	16,507	40.7%	84.9%
Insured, total	391	8,773	142	3,731	3,225	36.8	86.4
1. Individual Annuity Contracts............	227	1,568	71	522	449	28.6	86.0
2. Group Annuity Contracts	164	7,205	71	3,209	2,776	38.5	86.5
Self-insured, total	404	24,429	193	11,604	9,921	40.6	85.5
3. Stock of Regulated Investment Companies...	26	1,570	12	1,196	1,188	75.7	99.3
4. General Investments....	378	22,859	181	10,408	8,733	38.2	83.9
Split-funding, total	402	4,020	205	2,074	1,947	48.4	93.9
5. Individual Annuity Contracts and Other Medium	385	3,571	199	1,995	1,872	52.4	93.8
6. Group Annuity Contracts and Other Medium.......	17	449	6	79	75	16.7	94.9
Other or Not Shown, total	117	3,310	56	2,038	1,414	42.7	69.4
7. Other................	38	540	14	261	261	48.3	100.0
8. Not shown.............	79	2,770	42	1,777	1,153	41.6	64.9

Office of the Secretary of the Treasury
Office of Tax Analysis

May 1976

years (particularly the first year) when the sales commission element of premiums is high, pension plan losses can occur only if premium payments lapse prior to formal termination or if cash values of the policies are borrowed. As shown in line one of Table IV-5, only 71 of the 227 plans funded exclusively through individual annuity-type contracts showed benefit losses. Only 29 percent of all claimants in all plans so funded lost benefits as compared to an overall figure of 41 percent for all plans with losses.

One would expect a lower percentage because of full current funding of all benefits required under this method. Full current funding of benefits is most relevant for a plan of a firm which is unlikely to continue beyond the working life of its owners. This situation would be found most frequently in small plans.

Other insured plans in the survey funded benefits exclusively through group annuity-type contracts. Under this type of contract, there can be unfunded past service liabilities. The insurance company contract guarantees benefits only to the extent paid for. Benefit losses will occur if a plan terminates before past service liabilities are fully funded.

There were 164 plans in the survey that funded benefits exclusively through group annuity contracts of which 71 showed benefit losses. Thirty-nine percent of all claimants in plans funded by this method lost benefits. This is a higher percentage than for plans funded exclusively through individual annuity contracts.

A number of plans, 402, provided benefits through split funding, partly through annuity-type contracts and partly through another funding medium, usually equities. As in the case of self-insured or self-funded plans; split-funded plans also showed a substantial number of claimants with losses. The survey indicated that there were claimant losses in 205 of the 402 split-funded plans in the survey. Of the 2,074 claimants in such plans with losses, 1,947 or 94 percent lost benefits. However, in relation to all 402 terminated plans with split funding, 48 percent of the claimants lost benefits. It is noteworthy that for the few plans that combined group annuity-type contracts and other funding mediums, the relative frequency of loss among claimants was very small.

Employment Patterns in Years Prior to Termination

While a number of other specific reasons may be given for a plan termination, a decline in the number of active participants in a plan can itself indirectly encourage a termination. Of course, a decline in the number of active participants prior to termination may be simply a reflection of an increasingly unprofitable employer. But for a plan with large, unfunded, past service liabilities, a decline in the number of participants, particularly younger participants can cause a sharp rise in costs per employee remaining in the plan.

About one-half of the plans for which information is available showed declines in participation prior to termination: slightly more than half for plans with losses and slightly less than half for those without. As a rule, a reduction in employment involves a disproportionate decline in the number of younger employees, either through reduced hiring or lay-off. If past service liabilities have not been funded, such a reduction in the number of younger participants raises per capita costs for the remaining employees because the younger employees account for less than a proportionate share of past service liabilities. Thus for a poorly funded plan, the aggregate cost may fall, but the increased costs per remaining participant of maintaining a plan can be a contributing factor in a decision to terminate it. On the other hand, if a plan has funded its past service liabilities, any decline in its past service liabilities results in an actuarial surplus and reduced costs for remaining participants.

TABLE IV-6

CHANGES IN PLAN PARTICIPATION PRIOR TO TERMINATION, 1974

	ALL PLANS		PLANS WITH NO DECLINE				PLANS WITH DECLINE				25% DECLINE OR GREATER			
	TOTAL PLANS (3+7)	TOTAL PRTC. (5+9)	PLANS	% OF ALL PLANS	PRTC.	% OF ALL PRTC.	PLANS	% OF ALL PLANS	PRTC.	% OF ALL PRTC.	PLANS	% OF ALL PLANS	PRTC.	% OF ALL PRTC.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
CHANGES OVER 5 YEAR PERIOD														
ALL PLANS	955	33,377	465	48.7	12,945	38.8	490	51.3	20,432	61.2	316	33.1	10,124	30.3
PLANS WITH NO LOSSES	535	18,727	252	47.1	8975	47.9	283	52.9	9752	52.1	176	32.9	3434	18.3
PLANS WITH LOSSES	417	14,410	213	51.1	3970	27.6	204	48.9	10,440	72.4	138	33.1	6654	46.2
CHANGES OVER 4 YEAR PERIOD														
ALL PLANS	1087	35,293	537	49.4	12,925	36.6	550	50.6	22,368	63.4	316	29.1	9014	25.5
PLANS WITH NO LOSSES	596	19,338	296	49.7	8863	45.8	300	50.3	10,475	54.2	172	28.9	3784	19.6
PLANS WITH LOSSES	487	15,710	241	49.5	4062	25.9	246	50.5	11,648	74.1	141	29.0	5189	33.0
CHANGES OVER 3 YEAR PERIOD														
ALL PLANS	1197	37,951	625	52.2	14,832	39.1	572	47.8	23,119	60.9	276	23.1	6652	17.5
PLANS WITH NO LOSSES	652	20,187	336	51.5	9319	46.2	316	48.5	10,868	53.8	157	24.1	2861	14.2
PLANS WITH LOSSES	541	17,519	289	53.4	5513	31.5	252	46.6	12,006	68.5	118	21.8	3761	21.5
CHANGES OVER 2 YEAR PERIOD														
ALL PLANS	1268	38,917	825	65.1	19,451	50.0	443	34.9	19,466	50.0	160	12.6	4106	10.6
PLANS WITH NO LOSSES	689	20,466	453	65.7	9416	46.0	236	34.3	11,050	54.0	84	12.2	3013	14.7
PLANS WITH LOSSES	574	18,203	370	64.5	10,026	55.1	204	35.5	8177	44.9	75	13.1	1063	5.8

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF TAX ANALYSIS

May 1976

Table IV-6[1/] shows changes in plan participation over 5,4, 3, and 2 year periods before termination.[2/] Over the 5 -year period, 50 percent of the plans accounting for 61 percent of participants showed a decline in participation. Thirty-three percent of the plans accounting for 30 percent of participants, experienced at least a 25 percent decline in participation. These respective percentages fall as the time period considered is reduced. But even over the 2 -year period prior to termination, slightly more than one-third of the plans experienced a decline in participation. These plans included one-half of all participants.

Distribution of Pension Plans and Claimants By Reason Given for Termination

The distribution of pension plans and claimants by reason given by the employer for termination is shown in Table IV-7. The most frequently given reasons for plan termination were adverse business earnings and the liquidation or dissolution of employer organization. Of the 1,314 plans, 627 indicated one and/or the other reason.

1/ See Appendix B for revised Table 4-6 for the 1972 study.

2/ Only plans 5 years of age and over are included in the 5-year period computations. Similarly, only plans at least 4, 3 and 2 years of age were included in the respective 4-year, 3-year and 2-year period computations.

TABLE IV-7

DISTRIBUTION OF CLAIMANTS BY REASON FOR TERMINATION, 1974

<table>
<tr><th rowspan="3">REASON FOR TERMINATION</th><th colspan="3">ALL PLANS</th><th colspan="5">PLANS WITH LOSSES</th></tr>
<tr><th rowspan="2">NUMBER</th><th colspan="2">CLAIMANTS</th><th rowspan="2">NUMBER OF PLANS</th><th rowspan="2">NUMBER OF CLAIMANTS</th><th colspan="3">CLAIMANTS WITH LOSSES</th></tr>
<tr><th>NUMBER</th><th>PERCENT IN GROUP</th><th>NUMBER</th><th>PERCENT</th><th>AS % OF ALL CLAIMANTS IN GROUP (6/2)</th></tr>
<tr><td></td><td>(1)</td><td>(2)</td><td>(3)</td><td>(4)</td><td>(5)</td><td>(6)</td><td>(7)</td><td>(8)</td></tr>
<tr><td>TOTAL</td><td>1314</td><td>40,532</td><td>100.0</td><td>596</td><td>19,447</td><td>16,507</td><td>100.0</td><td>40.7</td></tr>
<tr><td>1. CHANGE OF COMPANY OWNERSHIP BY SALE OR TRANSFER</td><td>260</td><td>5441</td><td>13.4</td><td>117</td><td>2273</td><td>1888</td><td>11.4</td><td>34.7</td></tr>
<tr><td>2. CHANGE OF COMPANY OWNERSHIP BY MERGER</td><td>61</td><td>2229</td><td>5.5</td><td>21</td><td>347</td><td>328</td><td>2.0</td><td>14.7</td></tr>
<tr><td>3. ADOPTION OF NEW SUPERSEDING PLAN</td><td>147</td><td>5814</td><td>14.3</td><td>65</td><td>1633</td><td>1552</td><td>9.4</td><td>26.7</td></tr>
<tr><td>4. LACK OF EMPLOYEE PARTICIPATION</td><td>67</td><td>1407</td><td>3.5</td><td>32</td><td>1070</td><td>886</td><td>5.4</td><td>63.0</td></tr>
<tr><td>5. ADVERSE BUSINESS EARNINGS</td><td>281</td><td>3397</td><td>8.4</td><td>143</td><td>1477</td><td>1349</td><td>8.2</td><td>39.7</td></tr>
<tr><td>6. LIQUIDATION OR DISSOLUTION OF EMPLOYER FIRM</td><td>270</td><td>6904</td><td>17.0</td><td>115</td><td>3920</td><td>3009</td><td>18.2</td><td>43.6</td></tr>
<tr><td>7. SALE, TRANSFER AND LIQUIDATION OR ADVERSE EARNINGS</td><td rowspan="2">52</td><td rowspan="2">2193</td><td rowspan="2">5.4</td><td>19</td><td>513</td><td>421</td><td>2.6</td><td>19.4</td></tr>
<tr><td>8. MERGER AND LIQUIDATION OR ADVERSE EARNINGS</td><td>0</td><td>0</td><td>0</td><td>.0</td><td>.0</td></tr>
<tr><td>9. LIQUIDATION, ADVERSE EARNINGS AND OTHER REASONS</td><td>24</td><td>995</td><td>2.5</td><td>12</td><td>544</td><td>463</td><td>2.8</td><td>46.5</td></tr>
<tr><td>10. OTHER OR UNKNOWN</td><td>74</td><td>1647</td><td>4.1</td><td>29</td><td>360</td><td>333</td><td>2.0</td><td>20.2</td></tr>
<tr><td>11. CLOSURE OF PLANT, DIVISION OR SUBSIDIARY</td><td>78</td><td>10,505</td><td>25.9</td><td>43</td><td>7310</td><td>6278</td><td>38.0</td><td>59.8</td></tr>
</table>

Relative Importance of Reasons for Termination

Reasons Reported for Plan Termination	Treasury Studies 1974	1972
Due to business actions 1/	57%	53%
Due to adoption of a new plan	11	9
Due to other plan consideration 2/	26	31
Due to unknown reasons	6	8
Total	100%	100%

1/ Change in ownership due to sale, transfer, or merger; liquidation, dissolution, or bankruptcy of business; closing of a plant, division or subsidiary; or combination of any of the above with adverse business earnings.

2/ Reasons cited were that there is a lack of employee participation or adverse business condition.

However, if the reasons are grouped broadly (as shown above) by those related to the plan and those related to business actions (closure or sale of the business, business merger, etc.), 57 percent of terminated plans in 1974 were in the latter group. The relative importance of the reasons for 1972 terminations by this same grouping was roughly the same as 1974.

In certain cases, the terminations were partial terminations of broader company plans, while in others they were complete terminations of plans covering specific production units of larger companies. There is no clear definition of a partial termination in the Internal Revenue Code, and thus no certainty that all closures of production units within a broad company plan are reported as partial plan terminations.

V
Characteristics of Employers of Terminated Plans

The study provided data on employers by industry and by income and net worth. Information is also provided for employers who borrowed from pension plans and employers whose stock was held by terminated plans. Among plans for which employer industry information is available, manufacturing accounted for the majority of claimants and a majority of claimants with losses. Examination of plans for which employer income and net worth information are available suggest that about a fourth of claimants with losses were associated with plans of unprofitable employers. The available data indicate that 19 out of 1,094 terminated plans had loans outstanding to the employer. Twelve of these plans terminated with benefit losses.

Industry of Employers with Terminated Plans

All major industries were represented among employers with terminated plans. Table V-1 shows the distribution of terminated pension plans by industry of employers. Of the 865 plans for which employer-industry information is available, 280 plans, accounting for 64 percent of all claimants and 68 percent of all claimants with losses, were in manufacturing. Wholesale and retail trade accounted for 221 plans with 12 percent of all claimants and 10 percent of claimants with losses. Services accounted for 141 plans and included 7 percent of all claimants and 7 percent of all claimants with losses in plans for which employer industry is known.

Employer Income and Net Worth

Data available from tax returns indicate that 27 percent of claimants with losses are in plans of unprofitable employers. At

TABLE V-1

TERMINATED PLANS BY INDUSTRY OF EMPLOYER, 1974

INDUSTRY OF EMPLOYER	ALL PLANS: NUMBER OF PLANS	ALL PLANS: NUMBER OF CLAIMANTS	PLANS WITH LOSSES: NUMBER OF PLANS	PLANS WITH LOSSES: NUMBER OF CLAIMANTS	PLANS WITH LOSSES: NUMBER OF CLAIMANTS WITH LOSSES	NUMBER OF CLAIMANTS(2) AS PERCENT OF SUBTOTAL	NO. OF CLAIMANTS (5) WITH LOSSES AS % OF SUBTOTAL OF CLMTS. W/LOSSES
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
AGRICULTURE, FORESTRY, AND FISHING	36	736	21	473	417	3.0%	4.2%
MINING	7	891		84	77	3.6	.8
CONTRACT CONSTRUCTION	68	633	33	371	280	2.6	2.8
MANUFACTURING	280	15,938	135	7678	6759	64.4	68.3
TRANSPORTATION, COMMUNICATION, ELECTRIC, GAS AND SANITARY SERVICES	37	627	19	248	204	2.5	2.1
WHOLESALE TRADE	106	1319	49	670	627	5.3	6.3
RETAIL TRADE	115	1662	52	447	381	6.7	3.9
FINANCE, INSURANCE, AND REAL ESTATE	75	1254	31	518	460	5.1	4.7
SERVICES	141	1702	62	957	684	6.9	6.9
SUBTOTAL	865	24,762	402	11,446	9889	100.0	100.0
PLANS WHERE EMPLOYER INDUSTRY NOT IDENTIFIED	449	15,770	194	8001	6618	.0	.0
TOTAL	1314	40,532	596	19,447	16,507	.0	.0

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF TAX ANALYSIS

May 1976

the same time, the great majority of claimants with losses, including high-priority claimants, are in plans of employers whose net worth substantially exceeds benefit losses. This is an interesting fact in view of the decision in the pension reform legislation to impose partial liability on the employer for benefit losses at plan termination. However, caution should be exercised in evaluating net worth statistics. Net worth of an employer may consist, in large part, of fixed assets that have a high book value, and a high value to the particular firm as a going concern. But potential market value may be very low; this is an important consideration since liquidation of the employer organization and closure of a plant, division, or a subsidiary of a firm were relatively common reasons for plan termination.

Employer income and net worth information is available for only 949 plans with about 26,700 claimants. The first part of Table V-2 presents the income and net worth information available for all 949 plans. About 17,400 claimants in 613 plans were associated with employers showing income on their most recently available tax return.[1/] Of the 514 plans without benefit losses, 336 were associated with profitable employers. Of the 435 plans with losses, 277 were associated with profitable employers, but in only 179 plans were employer profits greater than benefit losses.

1/ Employer income before tax. Income refers to taxable income of corporate employers before net operating loss deduction and special deductions (line 28 of Form 1120, U.S. Corporate Income Tax Return). In addition, there were a number of non-corporate tax returns. In most cases, returns were available for the year of termination or the year preceding termination.

TABLE V-2

RELATIONSHIP OF EMPLOYER INCOME AND NET WORTH TO ACCRUED BENEFITS AND AMOUNTS DISTRIBUTED IN TERMINATED PENSION PLANS, 1974

CATEGORY OF PLAN	NUMBER OF PLANS	NUMBER OF CLMTS	PRESENT VALUE OF ACCRUED BENEFITS PER CLAIMANT	AMOUNT DISTRIBUTED PER CLAIMANT	PLANS WITH POSITIVE EMPLOYER INCOME		EMPLOYER NET WORTH PER CLAIMANT	PLANS WHERE INCOME EXCEEDS BENEFIT LOSSES		PLANS WHERE NET WORTH EXCEEDS BENEFIT LOSSES	
					NO. OF PLANS	NO. OF CLMTS		NUMBER OF PLANS	NUMBER OF CLAIMANTS	NUMBER OF PLANS	NUMBER OF CLAIMANTS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
ALL EMPLOYERS											
ALL PLANS	949	26,643	$ 5403	$ 4790	613	17,366	$ 674,566	179	6888	336	10,853
PLANS WITH NO LOSSES	514	13,977	5538	5906	336	8493	503,340	-	-	-	-
PLANS WITH LOSSES	435	12,666	5255	3559	277	8873	863,515	179	6888	336	10,853
EMPLOYERS WITHOUT CONSOLIDATED RETURNS											
ALL PLANS	858	15,370	$ 5798	$ 4962	556	10,579	$ 414,791	155	3396	297	5172
PLANS WITH NO LOSSES	467	8535	5572	5864	308	6029	447,109	-	-	-	-
PLANS WITH LOSSES	391	6835	6079	3836	248	4550	374,435	155	3396	297	5172
EMPLOYERS WITH CONSOLIDATED RETURNS											
ALL PLANS	91	11,273	$ 4865	$ 4556	57	6787	$1,028,753	24	3492	39	5681
PLANS WITH NO LOSSES	47	5442	5483	5972	28	2464	591,531	-	-	-	-
PLANS WITH LOSSES	44	5831	4289	3234	29	4323	1,436,806	24	3492	39	5681

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF TAX ANALYSIS

May 1976

Average employer net worth per claimant is about $674,566. Employer net worth per claimant was higher for plans with losses than for plans with no losses. For 336 of the 435 plans with losses, employer net worth exceeded the value of benefits lost.

In most cases, income and net worth information was taken from a tax return filed by the specific employer associated with the terminated plan. But in some cases, a consolidated return was filed by a parent company that combined income and net worth data from all subsidiaries, rather than just the income and net worth attributable to the subsidiary with the terminated plan.

Table V-2 does not relate employer income or net worth to claimants with losses. Claimant figures in the table are for total number of claimants in plans with losses, i.e., they include claimants whose full benefits are being paid to them as well as those with losses. Thus, while the table indicates that several plans with losses were of employers with income and net worth greater than benefit losses, it does not show how many claimants with losses were accounted for by those plans.

Relationship of Employer Income to Claimant Losses

Table V-3 shows the relationship between employer income and claimant losses. The 410 plans for which income information is available account for 8,073 claimants with losses. The average dollar loss per claimant is $2,018. About 27 percent of all claimants with losses were in plans of unprofitable employers. About 59 percent of the claimants with losses were in plans where employer income equaled or exceeded benefit losses.

TABLE V-3

PLANS WITH LOSSES: RELATIONSHIP OF EMPLOYER INCOME TO CLAIMANT LOSSES
IN 410 PLANS FOR WHICH EMPLOYER INCOME DATA WERE AVAILABLE, 1974

CLAIMANT CATEGORY	NUMBER OF CLAIMANTS WITH LOSSES	LOSS PER CLAIMANT (WITH LOSS)	NUMBER OF CLAIMANTS WITH UNPROFITABLE EMPLOYERS	NUMBER OF CLAIMANTS BY RATIO OF EMPLOYER INCOME TO CLAIMANT LOSSES				
				UNDER 50%	50% UNDER 100%	100% UNDER 200%	200% UNDER 500%	500% AND OVER
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ALL EMPLOYERS								
ALL CLAIMANTS WITH LOSSES	8073	$ 2018	2155	320	827	205	572	3994
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	2339	3023	436	69	39	31	64	1700
EMPLOYERS WITHOUT CONSOLIDATED RETURNS								
ALL CLAIMANTS WITH LOSSES	5024	$ 2563	1626	314	261	194	551	2078
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	1075	4967	338	63	39	78		557
EMPLOYERS WITH CONSOLIDATED RETURNS								
ALL CLAIMANTS WITH LOSSES	3049	$ 1120	529	6	566	11	21	1916
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	1264	1370	98	6	0	17		1143

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OFFICE OF TAX ANALYSIS

May 1976

142 PLANS WITH LOSSES HAD NO DATA ON EMPLOYER INCOME
374 PLANS WITHOUT CONSOLIDATED RETURNS
36 PLANS WITH CONSOLIDATED RETURNS

Information was available for 2,339 claimants with losses who were either retired, eligible for retirement (early or normal), or had vested rights prior to termination.1/ Their average dollar loss is $3,023. About 19 percent of these high-priority claimants were in plans of unprofitable employers.

Relationship of Employer Net Worth to Claimant Losses 2/

Table V-4 shows the relationship between employer net worth and claimant losses. Overall, only 7 percent of claimants with losses were in plans where employer net worth was less than the value of benefits lost while 77 percent of the claimants with losses were in plans where employer net worth was at least 1,000 percent of claimant losses. A similar distribution prevails among high-priority claimants with losses. About 5 percent of the high-priority claimants with losses were in plans where employer net worth was less than 100 percent of their losses while about 87 percent of the high-priority claimants were in plans where employer net worth was at least 1,000 percent of their losses. However, as stated earlier, net worth of an employer as a going concern may be much higher than net worth computed as if the employer organization were to be liquidated and all assets sold. The data presented may, therefore, overstate the true net worth of employers that could be set against benefit losses.

1/ These correspond to the first five claimant categories of earlier tables.

2/ See Appendix B for revised Table 5-4 for the 1972 study.

TABLE V-4

PLANS WITH LOSSES: RELATIONSHIP OF EMPLOYER NET WORTH TO CLAIMANT LOSSES
IN 401 PLANS FOR WHICH EMPLOYER NET WORTH DATA WERE AVAILABLE, 1974

CLAIMANT CATEGORY	NUMBER OF CLAIMANTS WITH LOSSES	LOSS PER CLAIMANT (WITH LOSS)	EMPLOYER NET WORTH PER CLAIMANT WITH LOSSES	NUMBER OF CLAIMANTS BY RATIO OF EMPLOYER NET WORTH TO CLAIMANT LOSSES: UNDER 100%	100% UNDER 200%	200% UNDER 500%	500% UNDER 1000%	1000% AND OVER
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ALL EMPLOYERS								
ALL CLAIMANTS WITH LOSSES	7722	$ 2050	$ 1,379,007	556	234	623	350	5959
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	2028	3338	3,787,074	103	46	66	44	1769
EMPLOYERS WITHOUT CONSOLIDATED RETURNS								
ALL CLAIMANTS WITH LOSSES	4676	$ 2680	$ 1,731,504	526	234	614	322	2980
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	767	6719	8,137,662	73	46	57	44	547
EMPLOYERS WITH CONSOLIDATED RETURNS								
ALL CLAIMANTS WITH LOSSES	3046	$ 1083	$ 837,880	30	0	9	28	2979
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	1261	1282	1,140,841	30	0	9	0	1222

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OFFICE OF TAX ANALYSIS

May 1976

157 PLANS WITH LOSSES HAD NO DATA ON EMPLOYER NET WORTH
366 PLANS WITHOUT CONSOLIDATED RETURNS
35 PLANS WITH CONSOLIDATED RETURNS

Terminated Plans with Loans to Employer or Investments in Employer Stock

The survey found that few employers with terminated plans had loans outstanding from their plans at time of termination. Moreover, few plans had invested in employer stock. In about half the plans where there were loans to the employer or holdings of employer stock, claimants received full benefits.

Table V-5 shows terminated plans with loans to the employer or holdings of employer stock by category of terminated plan and in relation to the total number of terminated plans. Of the 1,094 plans for which information was available, 19 plans had only loans to the employer while 22 plans had only employer stock. All such plans together accounted for 4,253 claimants, or 13 percent of all claimants in plans for which information was available. The 18 plans with losses contained 1,886 claimants, but not all these claimants experienced losses. Thus, the number of plans with employer loans and/or stock is very small and account for only a small number of claimants.

TABLE V-5

PLANS WITH LOANS TO EMPLOYER OR INVESTMENT IN EMPLOYER STOCK
IN 1094 TERMINATED PLANS REPORTING LOAN AND INVESTMENT DATA, 1974

CATEGORY OF TERMINATED PLAN	TOTAL NO. OF PLANS	TOTAL NO. OF CLMTS.	PLANS WITH LOANS: NO. OF PLANS	PLANS WITH LOANS: NO. OF CLMTS.	PLANS WITH LOANS: BENEFIT LOSS PER CLMT.	PLANS WITH LOANS: LOANS PER CLMT.	PLANS WITH INVESTMENTS: NO. OF PLANS	PLANS WITH INVESTMENTS: NO. OF CLMTS.	PLANS WITH INVESTMENTS: BENEFIT LOSS PER CLMT.	PLANS WITH INVESTMENTS: INVEST-MENT PER CLMT.	PLANS WITH LOANS AND INVESTMENTS: NO. OF PLANS	PLANS WITH LOANS AND INVESTMENTS: NO. OF CLMTS.	PLANS WITH LOANS AND INVESTMENTS: BENEFIT LOSS PER CLMT.	PLANS WITH LOANS AND INVESTMENTS: LOANS + INVEST-MENTS PER CLAIMANT
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1. ALL PLANS	1094	32,936	19	492	-	$ 1487	22	3761	-	$ 4044	*	21	-	$ 1000
2. PLANS WITH NO LOSSES	576	16,680	7	96	-	3312	16	2271	-	6050	0	0	-	0
3. PLANS WHERE BENEFIT SITUATIONS UNKNOWN	6	314	0	0	-	0	0	0	-	0	0	0	-	0
4. PLANS WITH LOSSES	512	15,942	12	396	$ 1850	1045	6	1490	$ 2371	985	*	21	$ 1566	1000
5. PLANS WITH LOSSES AMONG VESTED PARTICIPANTS	89	5849	*	30	886	2799	0	0	0	0	0	0	0	0
6. PLANS WITH LOSSES AMONG PARTICIPANTS ELIGIBLE FOR EARLY OR NORMAL RETIREMENT	124	5953	3	182	2929	967	*	1030	1049	1302	*	21	1566	1000
7. PLANS WITH LOSSES AMONG RETIREES	45	4277	*	159	3046	295	*	856	1051	1564	0	0	0	0

220 PLANS WITH NO LOAN AND INVESTMENT DATA

OFFICE OF THE SECRETARY OF THE TREASURY
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May 1976

* Less than 3 plans

VI

Multiemployer Pension Plans Under Collective Bargaining, 1965-1973

This study of terminated jointly administered multiemployer pension plans under collective bargaining covers all such plans on file with the Department of Labor pursuant to the Welfare and Pension Plans Disclosure Act (WPPDA) which notified the Department as having terminated from 1965 through 1973. 1/ There were 121 such plans, covering about 127,000 participants. These plans represent only about 6 percent of the approximately 2,000 multiemployer pension plans on file with the Department of Labor in 1971, and account for only about 1.5 percent of the 7.5 million participants covered by all such multiemployer pension plans.

A total of 115 of the terminated plans, covering 125,346 participants, responded to mail surveys conducted by the Department of Labor in 1972 and 1974. These 115 plans represent 95 percent of the 121 terminated plans, and account for 99 percent of the participants covered by all such plans.

Characteristics 2/

Size. The terminated multiemployer pension plans are, on the average, much smaller than all multiemployer pension plans. The 115 terminated plans responding in the surveys had a median size of about 350 partici-

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1/ This report presents the combined results of 2 Department of Labor studies of terminated jointly administered multiemployer pension plans under collective bargaining. The first study, which was conducted in 1972, covered all plans which had terminated from 1965 through 1971, according to reports on file with the Department at that time. The results of this study are presented in chapter 6 of the U.S. Department of the Treasury and Department of Labor, Study of Pension Plan Terminations, 1972, August 1973. The second study, which was conducted in 1974, covered all plans which had terminated in 1972 and 1973, according to reports filed with the Department, and plans which had terminated during the 1965-1971 period but which had not been included in the earlier study for a variety of reasons, foremost of which was the tardiness of plan administrators in notifying the Department that the plan had terminated.

2/ See tables VI-1 and VI-2 for complete details on characteristics.

pants, as compared to a median size of just under 800 participants for all multiemployer pension plans in 1971. Sixty-three percent of the 115 terminated plans covered fewer than 500 participants; just under 20 percent covered fewer than 100 participants—all but 1 of these plans covered over 20 participants. However, only 12 percent of all participants in the terminated plans were in those covering fewer than 500 participants. In contrast, plans covering 1,000 or more participants accounted for 79 percent of all participants in the terminated plans, but only 21 percent of the plans.

Frequency of Terminations. Seventy-six percent of the 115 terminated plans, covering 72 percent of the participants, terminated prior to 1971. The largest number of terminations occurred in 1967 (19 plans); the smallest number occurred in 1973 (6 plans).

Reason for Termination. Overall, 101 or 88 percent of the 115 plans terminated because of merger into another plan. These 101 plans covered 98 percent of all participants. Only three plans terminated because of financial insolvency.

Plans which terminated because of merger into another plan were, on the average, much larger than plans which terminated for other reasons — a median size of 400 participants as compared to a median size of 100 participants.

Industry. The industry distribution of the 115 terminated plans differs a great deal from that of all multiemployer pension plans. Manufacturing accounted for 20 percent of all multiemployer plans and 27 percent of the total coverage of such plans; however, of the terminated plans, this industry accounted for 37 percent of the plans and 45 percent of all participants. A total of 52 percent of all multiemployer plans, covering 32 percent of all participants, were in construction, as contrasted to 38 percent of the terminated plans, and 29 percent of the participants.

<u>Age</u>. The median age of the 115 plans at time of termination was about 8 years. Seventy-nine percent of the plans, covering 88 percent of all participants, had been in existence for at least 5 years at time of termination, while 21 percent of the plans, covering only 12 percent of all participants, had been in existence for a lesser period of time.

<u>Medium of Funding</u>. Seventy-two of the 115 terminated plans paid benefits directly from a self-insured trust fund. A total of 41 of the plans funded benefits exclusively through an insurance carrier—in all but one case from funds held by the carrier in a deposit administration account. Plans which provided benefits from a self-insured trust fund covered three-fourths of the participants of the terminated plans and were, on the average, much larger than insured plans.

The proportion of pension plans which provided benefits through an insurance carrier is higher for the 115 terminated plans than for all multiemployer pension plans in 1971—36 percent as compared to 29 percent; such insured plans also covered a higher proportion of the participants of the terminated plans than of all plans in 1971—25 percent as compared to 16 percent.

Extent of Benefit Losses

There was a low incidence of benefit losses in the 115 terminated multiemployer pension plans. Of these plans, there were only 8 plans in which participants lost benefits; there were no benefit losses in 107 of the plans.

A total of 1,391 participants lost benefits in the 8 plans with losses. (See table VI-3) These 1,391 participants account for about one percent of the total coverage of all 115 terminated plans, and less than two-hundredths of one percent of the total coverage of all multiemployer pension plans. Of the participants with losses, 51 percent were retired, current employees eligible for normal or early retirement, current employees with fully vested benefits, or past employees with vested benefits.

Although there was a low incidence of benefit losses for all plans, in those plans in which benefit losses did occur, participants who lost benefits lost most of their accrued benefits. Of the participants with losses, 84 percent lost at least 50 percent but less than 100 percent of the present value of their accrued benefits, while 12 percent lost all accrued benefits. This latter group was composed entirely of active participants without fully vested benefits prior to termination.

Plans with Losses. The 8 terminated plans with losses, which are discussed in detail below, were relatively smaller in terms of coverage than all terminated plans. Four of the 8 plans covered fewer than 100 participants; the largest plan covered 623 participants. Among the plans with losses, the most prevalent reasons for termination were financial insolvency (3 plans) and employers required to contribute to another plan (2 plans); only 1 of the plans terminated because of merger into another plan. Five of the 8 plans had been in existence for at least 5 years at termination, while 3 had been in existence for a lesser period of time. With respect to industry, 4 of the plans were in construction, 3 were in manufacturing, and 1 was in services. As to medium of funding, 5 of the plans provided benefits through a self-insured trust fund, while 3 utilized a deposit administration contract.

Plan 1 was a self-insured construction industry plan which terminated because participants were dissatisfied with it. The plan, which had been in existence for less than 3 years, covered 306 participants, all of whom were active employees with fully vested benefits. At termination, the average present value of the accrued benefits of these 306 participants was $4,150, and the amount allocated per participant was $220. Thus, in this plan, participants lost an average of $3,930 or 95 percent of the present value of their accrued benefits.

Plan 2 was a self-insured construction industry plan which terminated because of financial insolvency. At time of termination, the plan had been in existence for 9 years, and it covered 132 participants—80 retirees and 52 active employees without fully vested benefits. The 80 retirees lost an average of $1,679 or 89 percent of the present value of their accrued benefits, while the 52 active employees lost 100 percent of the present value of their accrued benefits.

Plan 3 was a self-insured manufacturing industry plan which terminated because the employers were required to contribute to another plan. This plan, which had been in existence for 5 years, was the largest of the 8 plans, covering 623 participants. As the following distribution shows there were extensive losses for each category of participant, with retirees incurring the heaviest losses.

Category of participant	Number of participants	Percent of present value of benefits lost
Retirees and beneficiaries	98	92
Active participants eligible for normal retirement	33	85
Active participants eligible for early retirement	112	83
Former employees with vested benefits	9	70
All other active participants	371	75

Plan 4 was a construction industry plan, insured through a deposit administration contract, which terminated after it had been in existence for 4 years. No reason was reported for termination; however, subsequent to termination, this plan was taken over for liquidation by the New York State Insurance Department. At termination, the plan covered 157 participants—15 retirees and 142 active employees without fully vested benefits. The present value of benefits and amount allocated by category of participant for this plan are unknown; however, data are available on the total amount of the present value of benefits and the total amount allocated. At termination, the total amount of the present value of benefits was about $94,000—about $600 per participant—and the total amount allocated was about $18,000—

about $115 per participant. Thus, participants in this plan lost an average of about 80 percent of the present value of their accrued benefits.

Plan 5 was a service industry plan, insured through a deposit administration contract, which terminated because employers were required to contribute to another plan. At termination, the plan had been in existence for 4 years, and it covered 85 participants. Of this number, 8 were retirees, 6 were active employees eligible for normal retirement, and 71 were active employees without fully vested benefits. The plan purchased full annuities for the 8 retirees, and allocated the remaining funds to the 6 active employees eligible for normal retirement. The amount allocated to the 6 employees eligible for normal retirement represented only 16 percent of the present value of their accrued benefits. Thus, these participants lost 84 percent of their accrued benefits. The 71 active employees without fully vested benefits lost 100 percent of their benefits.

Plan 6 was a self-insured manufacturing industry plan which terminated because of financial insolvency after it had been in existence for over 10 years. This plan, which was taken over for liquidation by the New York State Insurance Department, covered 66 participants—40 retirees and 26 active employees without fully vested benefits. The 40 retirees incurred slight losses—an average of about 8 percent of the present value of their accrued benefits. The 26 active employees, in contrast, lost 100 percent of their benefits.

Plan 7, like plan 6, was a self-insured manufacturing industry plan which terminated because of financial insolvency after it had been in existence

existence for over 10 years. This plan, which was also taken over for liquidation by the New York State Insurance Department, covered 68 participants—45 retirees and 23 active employees without fully vested benefits. The 45 retirees received the full present value of their accrued benefits, but the 23 active employees lost 100 percent of their benefits.

Plan 8 was a construction industry plan, financed through a deposit administration contract, which terminated because of merger into another plan. This plan, which had been in existence for over 10 years, covered 68 participants. Of these participants, 7 were retired, 7 were former employees with vested benefits, 33 were active employees with fully vested benefits, and 21 were active employees without fully vested benefits. The only participants who suffered any losses in this plan were the 7 former employees with vested benefits. These participants lost 25 percent of the present value of their accrued benefits.

Table VI-1. Selected Characteristics of Terminated Jointly Administered Multiemployer Pension Plans under Collective Bargaining, 1965-1973

Characteristic	Plans		Participants	
	Number	Percent	Number	Percent
Number of participants				
Total	115	100	125,346	100
Not reported	3	3	-	-
Less than 100	20	17	1,180	1
100-499	53	46	13,779	11
500-999	15	13	10,809	9
1,000 and over	24	21	99,578	79
Year of termination				
Total	115	100	125,346	100
1965	9	8	19,819	16
1966	10	9	2,733	2
1967	19	16	11,853	9
1968	18	16	21,608	17
1969	15	13	25,573	20
1970	16	14	9,465	8
1971	15	13	23,361	19
1972	7	6	4,337	3
1973	6	5	6,597	5
Reason for termination				
Total	115	100	125,346	100
Merger into another plan	101	88	122,845	98
Dissolution of employer association	4	3	254	1/
Employers required to contribute to another plan	4	3	1,407	1
Plan financially insolvent	3	3	266	1/
Participants dissatisfied with plan	1	1	306	1/
Unknown	2	2	268	1/

Continued on next page

Table VI-1. Selected Characteristics of Terminated Jointly Administered Multiemployer Pension Plans under Collective Bargaining, 1965-1973
- Continued -

Characteristic	Plans		Participants	
	Number	Percent	Number	Percent
Industry				
Total	115	100	125,346	100
Manufacturing	43	37	55,884	45
Construction	44	38	36,699	29
Wholesale and retail trade	13	11	24,348	20
All other	15	13	8,415	7
Age at termination				
Total	115	100	125,346	100
Less than 3 years	10	9	12,086	10
3 years but less than 5	14	12	3,236	2
5 years but less than 10	54	47	58,392	47
10 years or more	37	32	51,632	41
Medium of funding				
Total	115	100	125,346	100
Self-insured	72	63	94,162	75
Insured through deposit administration contract	40	35	30,714	24
Split-funding	1	1	309	1/
Other insured	1	1	161	1/
No medium of funding selected	1	1	-	-

Note: Because of rounding, sums of individual percentages may not equal 100.

Source: Information supplied by plans responding in the surveys, and reports filed with the Department of Labor pursuant to the Welfare and Pension Plans Disclosure Act. Data are for 115 of the 121 terminated plans surveyed, covering 125,346 of the 127,000 participants in the 121 plans.

1/ Less than one-half of one percent.

Table VI-2. Distribution of All Jointly Administered Multiemployer Pension Plans under Collective Bargaining, 1971 and Terminated Plans, 1965-1973, by Number of Participants, Industry and Medium of Funding

	All plans		Terminated plans	
	Percent of plans	Percent of participants	Percent of plans	Percent of participants
Number of participants				
Total	100	100	100	100
Not reported	-	-	3	-
Less than 500	39	2	63	12
500-999	19	3	13	9
1,000 and over	42	94	21	79
Industry				
Total	100	100	100	100
Manufacturing	20	27	37	45
Construction	52	32	38	29
Wholesale and retail trade	9	9	11	20
All other	19	32	13	7
Medium of funding				
Total	100	100	100	100
Self-insured	67	78	63	75
Insured	29	16	36	25
Split-funding	-	-	1	1/
Unknown	5	6	-	-
No medium of funding selected	-	-	1	-

Note: Because of rounding, sums of individual percentages may not equal 100.

Source: Data on terminated plans are based on information supplied by plans responding in the surveys, and reports on file with the Department of Labor pursuant to the Welfare and Pension Plans Disclosure Act. Data on all plans are based on unpublished tabulations of the Department of Labor's Bureau of Labor Statistics. Data are for 115 of the 121 terminated plans surveyed, covering 125,346 of the 127,000 participants in the 121 plans.

1/ Less than one-half of one percent.

Table VI-3. Number of Persons Losing Benefits, and Extent of Losses in Terminated Multiemployer Pension Plans with Losses, by Category of Participant, 1965-1973

Category	Total number of claimants with losses		Extent of present value of benefit losses					
			Number in category with losses of			Percent in category with losses of 1/		
	Number	Percent	Less than 50%	50 but less than 100%	100%	Less than 50%	50 but less than 100%	100%
Total, plans with losses 2/----	1,391	100	47	1,172	172	3	84	12
1. Retirees and beneficiaries-----	233	17	40	193	-	17	83	-
2. Active participants eligible for normal retirement--------	39	3	-	39	-	-	100	-
3. Active participants eligible for early retirement---------	112	8	-	112	-	-	100	-
4. Active participants with fully vested benefits-------------	306	22	-	306	-	-	100	-
5. Former employees with vested benefits-------------	16	1	7	9	-	44	56	-
6. All other active participants--	685	49	-	513	172	-	75	25

1/ Because of rounding, sums of percentages may not add to 100.
2/ There were 8 terminated multiemployer pension plans with losses.

May 1976
Department of Labor
Labor-Management
Services Administration

Appendix A

Brief Explanation of Termination Insurance Under ERISA

Under the Employment Retirement Income Act of 1974, pension plans that are qualified are required to obtain plan termination insurance. The requirement applies to pension plans that affect interstate commerce. The requirement does not apply to money purchase, profit-sharing or stock bonus plans. The termination insurance program is administered by the Pension Benefit Guaranty Corporation in the Department of Labor.

The insurance program is financed by premiums paid by employers. Each plan must currently pay a premium of one dollar per participant for single-employer plans and fifty cents per participant for multi-employer plans.

Unpaid vested pension benefits under the plan are covered by insurance payments to the participants and beneficiaries. The insurance payments are limited to the actuarial equivalent of the lesser of (a) 100 percent of average wages during the individual's highest paid five years of participation in the plan or (b) $750 per month.

An employer who is financially insolvent must reimburse the PBGC for insurance payments it makes as a result of the termination of the employer's plan. The employer's liability is limited to 30 percent of the employer's net worth.

Appendix B

Correction of the 1972 Treasury Study

The following pages provide corrected data for Tables 4-6 and 5-4 for the Study of Pension Plan Terminations, 1972.

TABLE 4-6

CHANGES IN PLAN PARTICIPATION PRIOR TO TERMINATION*, 1972

	ALL PLANS		PLANS WITH NO DECLINE				PLANS WITH DECLINE				25% DECLINE OR GREATER			
	TOTAL PLANS	TOTAL PRTC.	PLANS	% OF ALL PLANS	PRTC.	% OF ALL PRTC.	PLANS	% OF ALL PLANS	PRTC.	% OF ALL PRTC.	PLANS	% OF ALL PLANS	PRTC.	% OF ALL PRTC.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
CHANGES OVER 5 YEAR PERIOD														
ALL PLANS	822	29,108	385	46.8	10,433	35.8	437	53.2	18,675	64.2	294	35.8	8200	28.2
PLANS WITH NO LOSSES	457	13,728	223	48.8	5487	40.0	234	51.2	8241	60.0	159	34.8	4011	29.2
PLANS WITH LOSSES	346	15,183	152	43.9	4843	31.9	194	56.1	10,340	68.1	127	36.7	4104	27.0
CHANGES OVER 4 YEAR PERIOD														
ALL PLANS	975	33,165	476	48.8	11,829	35.7	499	51.2	21,336	64.3	313	32.1	10,181	30.7
PLANS WITH NO LOSSES	532	15,109	264	49.6	6256	41.4	268	50.4	8853	58.6	171	32.1	4016	26.6
PLANS WITH LOSSES	418	17,800	201	48.1	5482	30.8	217	51.9	12,318	69.2	133	31.8	6072	34.1
CHANGES OVER 3 YEAR PERIOD														
ALL PLANS	1097	34,863	597	54.4	13,604	39.0	500	45.6	21,259	61.0	268	24.4	8636	24.8
PLANS WITH NO LOSSES	594	15,673	332	55.9	6281	40.1	262	44.1	9392	59.9	148	24.9	3694	23.6
PLANS WITH LOSSES	477	18,931	253	53.0	7263	38.4	224	47.0	11,668	61.6	113	23.7	4886	25.8
CHANGES OVER 2 YEAR PERIOD														
ALL PLANS	1176	36,069	781	66.4	15,759	43.7	395	33.6	20,310	56.3	141	12.0	3442	9.5
PLANS WITH NO LOSSES	627	16,010	428	68.3	7360	46.0	199	31.7	8650	54.0	72	11.5	1148	7.2
PLANS WITH LOSSES	520	19,769	335	64.4	8285	41.9	185	35.6	11,504	58.1	64	12.3	2259	11.4

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Rev. May 1976

* Participant figures in the table are for the last year of plan operation. The sum of "plans with losses" and "plans with no losses" will not equal "all plans," due to a small number of plans not being included where the benefit situation was unknown.

TABLE 5-4

PLANS WITH LOSSES: RELATIONSHIP OF EMPLOYER NET WORTH TO CLAIMANT LOSSES
IN 258 PLANS FOR WHICH EMPLOYER NET WORTH DATA WERE AVAILABLE, 1972

CLAIMANT CATEGORY	NUMBER OF CLAIMANTS WITH LOSSES	LOSS PER CLAIMANT (WITH LOSS)	EMPLOYER NET WORTH PER CLAIMANT WITH LOSSES	NUMBER OF CLAIMANTS BY RATIO OF EMPLOYER NET WORTH TO CLAIMANT LOSSES: UNDER 100%	100% UNDER 200%	200% UNDER 500%	500% UNDER 1000%	1000% AND OVER
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ALL EMPLOYERS								
ALL CLAIMANTS WITH LOSSES	4954	$ 1807	$ 188525	356	148	690	431	3329
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	1310	2653	525829	54	81	105	112	958
EMPLOYERS WITHOUT CONSOLIDATED RETURNS								
ALL CLAIMANTS WITH LOSSES	3775	$ 2013	$ 86287	267	148	515	415	2430
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	1199	2692	158194	54	81	105	102	857
EMPLOYERS WITH CONSOLIDATED RETURNS								
ALL CLAIMANTS WITH LOSSES	1179	$ 1148	$ 515876	89	0	175	16	899
CLAIMANTS WITH LOSSES WHO WERE VESTED, ELIGIBLE FOR RETIREMENT, OR RETIRED PRIOR TO TERMINATION	111	2232	4496946	0	0	0	10	101

OFFICE OF THE SECRETARY OF THE TREASURY
OFFICE OF TAX ANALYSIS

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236 PLANS WITH LOSSES HAD NO DATA ON EMPLOYER NET WORTH
238 PLANS WITHOUT CONSOLIDATED RETURNS
20 PLANS WITH CONSOLIDATED RETURNS