

INTRODUCTION

This reference manual serves as a companion document to the coding instruments used for the pension provider component of the 1989 Survey of Consumer Finances. This manual serves two purposes. First, it provides detailed guidance to the coders responsible for completing the coding instruments based on summary plan descriptions (SPDs) and (occasionally) other documents. Second, for the benefit of members of the research community who analyze these data, this document clarifies the nature of the information collected.

The organization of this manual is as follows. First, certain general guidelines for interpreting and coding information provided by SPDs are set forth. Then there follows specific question-by-question instructions on how to complete each of four instruments, some or all of which a coder may be required to complete depending on the nature of the plan in question. These four instruments are:

Pension Provider Coversheet

Part I: General Plan Provisions

Part II: Defined Benefit Pension Plans

Part III: Defined Contribution Pension Plans

GENERAL BACKGROUND & INSTRUCTIONS

TYPES OF PLANS

Defined Benefit vs. Defined Contribution

A defined benefit plan represents a promise by the employer to provide a specific monetary benefit to the employee at retirement. A defined contribution plan only defines the level of funding for the plan in each plan year. The distinction is that for defined contribution plans, the employee bears the investment risk, while for defined benefit plans, the employer bears that risk.

Contributory vs. Non-contributory Plans

A plan in which the employer pays all costs of the plan is called a non-contributory plan. A plan in which the employee pays for all or part of the cost of the plan is called a contributory plan. Note that this distinction is independent of whether the plan is a defined benefit or defined contribution plan.

Types of Defined Contribution Plans

There are many types of defined contribution plans, and as part of the survey, you are asked to specify what type of plan is involved. To better enable you to answer this question, short description of the common types of defined contribution plans follow:

Money Purchase Plans

In a money purchase plan, the employer's annual contribution is determined by a specific formula, often a percentage of compensation or a flat dollar amount. This formula may take into account past service, and is permitted to be integrated with social security.

Profit Sharing Plan

A profit sharing plan bases its contributions on some measure of company performance, such as gross profits, net profits, or sales. There may be a specific formula for deriving the aggregate contribution or the contribution may be discretionary, with no definite formula cited.

The aggregate contribution is then allocated to participants accounts, usually on the basis of salary or wages. Forfeitures from profit sharing plans are either used to reduce the subsequent year employer contribution or are reallocated to the remaining employees.

Target Benefit Plans

Target Benefit Plans are very similar to defined benefit plans. These plans are designed to provide a specific level of benefits at retirement.

The important difference is that target benefit plans do not guarantee that level of benefits. That is, the plan's actuarial assumptions are not adjusted to reflect the performance of investment accounts in prior years. Although there is no guarantee, the benefit formula should represent the expected value of benefits at retirement. This type of plan provides the employee many of the advantages of a defined benefit plan without the corresponding administrative difficulties for the employer.

401-k Plans

These plans are referred to as cash or deferred arrangements (CODAs). Under these plans, an employee can elect to have his compensation reduced. The amount of the reduction is placed in an account for the employee. The income forgone is not reportable for federal tax purposes until the employee receives a distribution from the plan.

Notice that these plans may be linked to profit sharing plans. For instance, plan provisions may state that the board of directors at the end of the year may match some percentage of employees' contributions, depending on the profitability of the firm. In such a case, the voluntary contribution would be a 401-k, and the matching contribution would be a profit sharing plan.

Simplified Employee Pensions

Simplified Employee Pensions (SEPs) allow an employer to provide for employees' retirement benefits by contributing directly to the employees' Individual Retirement Accounts (IRAs). This (as the name suggests) is the simplest plan from an administrative perspective.

Employee Stock Ownership Plans

Employee stock ownership plans (ESOPs or LESOPs) allow the employer to purchase the firm's shares and distribute these shares to its employees. This kind of plan is distinct from employee stock purchase plans, in which the employees purchase shares in the firm, often at a discounted price. With ESOPs or LESOPs, the employer pays the entire cost of the shares.

Keough Plans

A self-employed person may arrange a Keough plan, which covers the self-employed individual and her employees. The Keough can be a defined contribution or a defined benefit plan, though defined contribution plans are more common. Keough plans are limited to unincorporated self-employed individuals, and are often used by professionals.

General Instructions

Discontinued Plan Provisions

Often, plan provisions which are no longer in force affect the benefits that plan participants will eventually receive. For example, an SPD may state that the current plan replaces an old plan that was ended several years ago. The SPD may guarantee that participants in the current plan will receive benefits that are not less than they would have received under the old plan.

Most of the questions in the instrument are phrased in the present tense; i.e., "does the plan have" various provisions in terms of eligibility formulas, benefit formulas, and so forth. This phraseology notwithstanding, in principle all plan provisions, current or discontinued, that potentially affect benefits paid should be coded to the extent possible. As the discussion of specific questions below makes clear, there are many places in which the instrument has been especially designed to facilitate the coding of discontinued plan provisions.

Form of Payment

Except as instructed under death benefits, formulas should be coded under the assumption that benefits will be paid as a single-life annuity; i.e., payments of equal dollar amounts are made for the life of the retired participant and end upon his/her death.

Provisions that are Specific to Job Characteristics

Occasionally, an SPD will state that different provisions will apply to different categories of participants. For example, salespersons may be subject to a minimum benefit formula that is not applied to others, or vesting schedules may be different for employees stationed at different sites. In such cases see a supervisor for further instructions.

Provisions of Other Plans

Unless the instructions specifically state otherwise, code only provisions that pertain to this plan; i.e., this unique pension provider identification number (PPID) and plan number. Do not code provisions of any other retirement or profit-sharing plan, or other health, welfare, or insurance plan.

Timing of Benefit Payments

At several places within the instrument, there are questions concerning whether benefit payments commence immediately upon some event (e.g., disablement, retirement, death), as opposed to being deferred to a later time (e.g., the attainment of a certain age). If an SPD states that there may be a short delay (e.g., two months) before

payments begin in order to allow for the processing of paperwork, we will regard this as a case of "immediate" onset of payments.

Missing Information

All questions are to be answered, unless the instructions concerning skip patterns specifically indicate that a question is to be skipped. If the SPD does not provide sufficient information to answer a question, write "NOT CITED" in the space provided.

PENSION PROVIDER COVERSHEET

Each pension provider coversheet contains information about one pension provider and about each sample household covered by a plan from this provider.

The first pieces of information printed on the coversheet are the name of the pension provider and the Pension Provider Identification Number (PPID). Next is the sequence number, plan number, and plan name of each pension plan available through this provider. The last item on the page is a list of households covered by this pension provider, and the sequence number(s) of the plan or plans in which those households participate.

If there is at least one household covered by more than one pension plan from this provider, complete the second page. If the participant will simply receive the sum of the benefits payable under each plan, mark box A. If the benefits are combined in some more complicated way, mark box B.

If box B is marked, not only must each plan be coded, but the method of integrating the plans must be coded as well. Usually, this is done in the regular coding document (Part II and/or Part III). Code the integration method in the coding document for whichever plan appears only in one combination of plans. For example, if some households participate in both plan A and plan B, while other households participate only in plan A, code the integration method in the document for plan B. Everyone who gets plan B also gets plan A; therefore, everyone who gets plan B gets an integrated benefit. It would be incorrect to code the integration method in plan A, because some people participate only in plan A and do not receive an integrated benefit. If there is no plan that appears only in the plan combination of interest (e.g., some people participate solely in plan A, some solely in plan B, and some in both), a new coding document must be used to integrate the plans. In such a case, see a supervisor.

The actual coding of the integration method will be done on the formula pages of the coding instrument. For example, the integration of normal retirement benefits for two plans would be coded in Part II, page 43, question D2. First code the formula for the total retirement benefit (NRT#1). Then incorporate the normal retirement benefit from the plan or plans being integrated with it. Refer to benefits from outside plans by sequence number, e.g., 0532:CNRT#1

The integrated formula might look like:

$$\text{NRT\#1} = (\text{MAX (NRI OR NR2)}) - 0532:\text{CNRT1}$$

If both of the plans being integrated are coded using the same sequence number, the sequence number prefix in the formula above would be omitted.

Some sections might not be integrated across plans. For instance, only one of two plans might provide disability benefits. For each section (normal, early, vested

deferred, disability, and survivors) in which benefits are integrated, write the integration formulas on the "total" formula page.

After the integration method has been coded, go back to the pension provider coversheet and fill in the sequence number of the document in which the coding of the integration method appears.

The final page of the coversheet, printed regardless of whether any integration is needed, is a check list for the number of documents coded for this pension provider. Enter the total number of sequence numbers associated with this PPID. Then list each sequence number and mark the box or boxes for each document coded for that sequence number. Finally, record any information not already coded, which would help editors, programmers, analysts, etc., to understand the plan or plans offered by this pension provider.

PART I: GENERAL INFORMATION

- A1.** The sequence number (SEQ #), pension provider identification number (PPID), and plan number (PLAN #) can all be found on the coversheet, and should be self-explanatory.
- A2.** The items to be coded in response to this question also come from the coversheet. A respondent will have an integrated SEQ # only if box "B" on the pension provider coversheet is marked; see the instructions under "PENSION PROVIDER COVERSHEET" above.
- A3.** Some plans permit (or require) newly hired employees in covered groups to become plan participants effective the first day on the job; in such cases mark box 1, "YES". Other plans restrict eligibility to participate in the plan to employees who have attained a certain age and/or have been employed for a certain length of time; in such cases mark box 2, "NO".

Some plans have only one "plan entry date" per year. New participants must wait until that date to join the plan. In such cases, the amount of time the employee must wait will depend on the date of hire. For example, if the entry date is January 1st, an employee hired on December 30th will join the plan after one day of service while an employee hired on January 2nd will join after a year of service. In such cases, code the participation requirement as 6 months (the length of the average wait). Similarly, if the plan states that new employees become members on the January 1st following the first 12 month period in which they complete 1000 hours of service, code the participation requirement as 1.5 years.

For this and all other questions in this section, code only those provisions that apply to a person who is hired today (i.e., 1989 or later).

- A3A.** For those plans in which new employees are not immediately eligible to participate in the plan, code the combination of age and service requirements in the appropriate box from among "a" through "d"; these categories should be self-explanatory. If none of these boxes is appropriate, mark box "z" and write in the correct answer. Ignore other requirements such as minimum hours of work.
- A3B.** Some plans have a maximum age after which new employees are not eligible to participate in the plan. In such cases, mark box "a" and write the maximum age in the blank.
- A4.** If all employees participate in the plan as soon as they become eligible, without any discretion on their part, mark box "a". If participation is optional until a certain age, after which participation is automatic, mark box "b" and enter the age in the blank. If participation is optional until either attainment of a certain

age or length of service (i.e., the earlier of the two dates), after which participation is automatic, mark box "c". If participation is optional for all eligible employees, mark box "d". If none of these categories accurately describes the plan, mark box "z" and write in the correct answer.

- A5. In this question, do not code cash payments such as lifetime annuities and lump sum benefits. If there are provisions for in-kind benefits (e.g., medical benefits) provided by this plan, mark box 1, "YES". Cash payments that are earmarked for specific purposes, or payments to reimburse specified expenses by participants (e.g., medical expenses), are considered in-kind benefits. Therefore, for plans that provide such benefits, mark box 1, "YES".
- Z1. If the pension provider provided the SPD, mark box "a", and complete the blanks for effective date of plan and last amendment. If the Department of Labor provided the SPD, mark box "b", and complete the blanks for effective date of plan and last amendment. If Form 5500 was used, mark box "c", and fill in the date filed. If an SPD from the 1983 Survey of Consumer Finance was used, mark box "d", write "1983 Survey" in the space provided, and fill in the effective date of the plan.

PART II: DEFINED BENEFIT PLANS
SECTION C: VARIABLE DEFINITIONS

- C1. Many benefit calculations incorporate the employee's actual service years (ASY)--a measure of the employee's tenure with that employer. The definitions of ASY are coded in C1-C4. The ASYs, identified by number, i.e., ASY1, ASY2, ASY3, will be used to calculate benefits, to define other terms, or to specify requirements for receiving a benefit. Each definition of ASY has four parts:

- (C1A) any years of employment to be excluded from service credit,
- (C2) any maximums on the number of ASY to be used in the benefit formula,
- (C3) the number of hours an employee must work to be given credit for a year of service.
- (C4) any calendar dates that apply to the definition of ASY.

Each unique combination of these four features (excluded years, maximums, hours, and dates) should be coded as a separate ASY. To code the first ASY, mark one box in the column headed "ASY1" for question C1A and fill in the appropriate blanks. Then mark one box in the column headed "ASY1" for question C2 and fill in the appropriate blank. Do the same for C3 and C4.

If benefit formulas, terms, or service requirements use any different ASY, move to the column headed "ASY2" in question C1A and answer the questions as before. Repeat for ASY3 if necessary.

Ignore provisions for a break in service. Assume that the employee in question has been employed continuously since his/her date of hire.

- C1A. Some pension plans do not give credit for all years worked. There are pension plans that do not allow employees to become participants until they have met an age and/or service requirement. When calculating benefit formulas based on the employee's length of service, some of these plans give participants retroactive credit to their date of employment while others count only service from the time age/service requirements have been met.

If a plan only gives credit only for service after the date of initial plan participation, and the plan admits new members only on a specified calendar date each year (e.g., July 1), then the rules described in the instructions for question A3 should be applied here.

- C2. There may be a maximum number of service years that can be used in calculating retirement benefits, even if the employee has accrued more years. Some plans explicitly state the maximum in terms of service years. Other plans state that service beyond a certain age will not be included in the benefit formula. Any mandatory retirement age is coded in F2 and should not be repeated here.

Any maximums coded in C2 need not be repeated in the benefit formulas. Remember, though, that if a maximum is specified in C2, it applies in every instance that particular ASY is used.

- C3. Some plans, especially those covering hourly workers, require that the employee work a specified number of hours to receive a year of service credit. Category "a" is for plans that do not.
- C4. A formula might use only service credit as of a particular date or only after a particular date. C4 asks whether the plan cites specific dates, not whether the formula counts only a specific number of years of service credit.

Enter only the month and year.

- C5. Answer "YES" only if the employees' contributions are used to finance the defined benefit. Answer "NO" if the employee makes contributions only to a defined contribution account.
- C6. Mark the box to indicate whether the employees' contributions are based on his/her pretax or post-tax salary.

Note that this question asks about the annual contribution.

Use category "b" if the employee contributes a flat dollar amount per year.

Use category "c" if the employee contributes a fixed percentage of pay. Enter the maximum contribution in the appropriate blank. If there is no maximum write "NO MAX".

Use category "d" for plans in which the employee contributes a fixed percentage of that portion of his/her pay up to the Social Security taxable wage base.

Use category "e" or "f" for plans in which the employee contributes a fixed percentage of that portion of his/her pay above the Social Security taxable wage base.

Use category "g" for plans in which the dollar amount or percent contributed depends on the employee's PAY, AGE, and/or ASY. First check the box indicating whether the employee contributes a dollar amount, a percent of pay, or a percent of pay above or below the Social Security taxable wage base. Then check the box indicating whether the amount contributed depends on PAY, AGE, and/or ASY. Fill in the appropriate blanks using as many lines as necessary.

Note that it is not necessary to repeat as a "MIN" the age requirement for plan participation, nor is it necessary to repeat as a "MAX" the mandatory retirement

age. Code an age-related "MIN" only in cases where the SPD specifically states that no contributions are required before a specified age, even if the employee may participate in the plan before that age. Similarly, code a "MAX" only in cases where no contributions are made after a specified age, even if the employee may work beyond that age.

It might be necessary in this question to split a mandatory contribution into two parts. For example, a plan might require a contribution of 2% of that portion of pay below the Social Security taxable wage base and 5% of that portion of pay above the Social Security taxable wage base. Mark category "d" under MAN1 and write "2" in the blank. Mark category "e" under MAN2, mark "(PAY > SWB)", and write "5" in the blank.

- C7. Check a "Yes" box if C6 (above) used SWB. Note that "covered compensation" often calls for career average SWB.
- C8. Code the general policy on withdrawals. If the plan only permits withdrawals when the value of the contributions is small, consider the answer to be "NO".
- C12. A plan may specify that if an employee wishes to contribute to the plan, he/she must make a minimum contribution. Code such a minimum here.
- C12a. If the plan does specify a maximum contribution, mark the box to indicate whether each maximum is a limit on the annual contribution or on the career contribution. For example, plans often state that the annual contribution cannot exceed 10% of pay per year. However, if the employee does not contribute in a particular year, he/she can contribute 20% the next year. Code this as a career maximum of 10% since any particular year's contribution could conceivably exceed 10% of pay.
- C13. See C7.
- C14. See C8.
- C15. See C9.
- C16. See C10.
- C17. Pension plans often take into account federal Social Security benefit payments. One approach is to subtract some portion of the retiree's Social Security benefit from the amount that the pension plan would otherwise pay. The general form of such a pension formula is $x\%$ of FAP minus $y\%$ of SS. The second approach is to use the Social Security taxable wage base as a breakpoint in the benefit formula. This means that FAP below the Social Security taxable wage base is treated differently than FAP in excess of the Social Security taxable wage base. The general form of such a pension formula is $x\%$ of FAP up to the SS wage base plus $y\%$ of FAP in excess of the SS wage base.

The definitions of SS for use in the benefit formulas are coded in C18-C22. Each definition of SS has five parts:

- (C18) how the Social Security term is used,
- (C19) whether the benefit formula uses a monthly or a yearly SS,
- (C20) any dates that apply to the definition of SS,
- (C21) any maximums on the amount of Social Security used in the benefit formula, and
- (C22) the technique used to estimate the SS benefit for people who retire early.

Code each unique combination of Social Security term, monthly vs. yearly SS, date, maximum, and estimation technique as a separate SS (see explanation of ASY at C1).

- C18. If the formula uses the Social Security benefit amount, use category "a" and check the appropriate boxes. The Social Security primary benefit amount is that portion of a retiree's benefit to which he/she is entitled based on his/her own employment. The Social Security joint benefit amount is the combined family benefit received, including any benefit for spouse and/or dependents.

Social Security benefits are paid either in a reduced amount (if payments begin before age 65) or in an unreduced amount (if payments begin at age 65 or later).

Remember to mark both primary vs. joint, and unreduced vs. reduced.

There are several different ways benefit formulas use some form of the Social Security taxable wage base as a breakpoint. These variations are coded in category "b". If the employee's benefits will be calculated using the Social Security taxable wage base in effect during the year he/she retires, mark the box "AT RETIREMENT" and the box marked "ACTUAL" (i.e., the actual SS wage base in effect at retirement).

If the employee accrues a "benefit credit" each year, based on a formula that incorporates that year's wage base, mark the boxes "CAREER TOTAL" and "ACTUAL" (i.e., the retirement benefit is based on actual Social Security wage bases throughout the employee's career).

Some benefit formulas use an estimate of the average level of the Social Security wage base over the employee's career. The Social Security Administration publishes such a measure. SPDs often describe this measure as the "Social Security Average Wage Base" or as "Covered Compensation." The career average wage base depends on the year that the employee retires, so plans often present a table of average wage bases for various retirement years.

Sometimes, the SPD says that the benefit formula will use the average wage base as of the employee's retirement date. In such a case, mark the boxes "CAREER AVERAGE" and "ESTIMATED AT RETIREMENT". The reason this is an estimated rather than an actual average is that the Social Security Administration's figures are based on an assumed number of continuous years of service. If any particular employee's work history has deviated from that

pattern, the estimate will probably differ from the actual average of wage bases over his/her career.

In a few cases, benefit formulas use an average wage base estimated in some particular year, even though the estimate has become outdated. The Social Security Administration publishes tables of estimated career average wage bases, based on predictions about future increases in the wage base. Even after the predictions prove false, some plans continue to use the estimates. These plans often state that they use the Covered Compensation estimates as of a particular year. For these plans, mark the boxes "CAREER AVERAGE" and "ESTIMATED IN YEAR: 19__", and enter the year in the blank. If it is unclear what year's estimate is being used, see a supervisor.

If the plan uses another version of the Social Security taxable wage base, mark the unlabeled box and fill in a description.

C19. This question asks if the normal retirement benefit formulas are calculated using a monthly Social Security term or an annual Social Security term. If the benefit formulas contain a Social Security offset, mark box "a" or "b" depending on whether the monthly or annual Social Security benefit is used. If the Social Security taxable wage base is used as a breakpoint, the answer will usually be "b". Use category "c" if the formula uses the career total SS wage base as a breakpoint.

C20. This question asks if the value of the Social Security term is determined as of a specific calendar time period. In almost every case, if the SS term is defined to be the Social Security benefit amount, the answer to C20 will be "a", "COVERS ALL YEARS: NO SPECIFIC DATES CITED".

The only time specific calendar dates might apply is when the Social Security term is defined to be some form of the Social Security taxable wage base. If the formula specifies that it uses the wage base in effect during a particular calendar time period, use "b"- "d" as appropriate. Enter only the month and year.

C21. Record here any maximums that are unique to the Social Security term. Mark the appropriate box and specify by number the measure of ASY (if any) used in this maximum. Use the ASY number (ASY1, ASY2, ASY3) defined in C1A.

A maximum can exist only if the amount of the Social Security offset varies from person to person. This usually occurs when the Social Security term is multiplied by actual service years. For example, a plan might state that the offset is an amount equal to 1.5% of the Social Security benefit multiplied by the employee's years of service, but that the offset will be no greater than of the employee's Social Security benefit.

In some plans, a fixed percent of Social Security is subtracted from each pension benefit, regardless of the retiree's age or years of service. A typical formula would be:

$$(1.5\% * FAP2 * ASY1) - 45\% * SS1$$

The 45% would not be coded as a maximum.

It is not necessary to code implied maximums that have been recorded elsewhere. If the Social Security term is multiplied by ASY, and the limit on ASY has been coded in C21, the maximum need not be repeated in C21. For instance, an SPD might state that the offset is an amount equal to 2% of the Social Security benefit multiplied by the employee's years of service, and that credit for a maximum of 25 years of service can be accumulated. There is an implied maximum offset of 50% of Social Security benefits; however, this is not recorded here.

- C22. Plans that include Social Security offsets usually base the offset on the actual amount of Social Security the employee begins to receive at retirement. If the participant can retire before he/she is eligible for SS, some estimate of the SS benefit amount must be made for use in the retirement benefit formula. Code the estimation method here. If the benefit formula does not contain a SS offset (i.e., the SS term refers to the taxable wage base), or no social security estimate is ever required, mark box "a".
- C23. Some benefit formulas include a measure of potential years of credited service. Potential service years (PSY) is the maximum number of years the employee could have accumulated had he/she worked continuously from the date his/her service first began to accrue, until some designated termination point (often age 65).

The definitions of PSY for use in the benefit formulas are coded in C23A-C25. Each definition of PSY has three parts:

- (C23A) the starting and ending points for counting potential service years,
- (C24) any dates that apply to the definitions of PSY,
- (C25) any maximums on the number of PSY to be used in the benefit formulas.

Code each unique combination of starting/ending points and maximum as a separate PSY (see explanation of ASY at C1).

- C23A. Some pension plans begin to count potential service years at the date of employment while others begin counting after an age and/or service requirement has been met. Mark the box that describes the starting point for counting potential service years, and fill in the appropriate blanks.
- C24. A formula might use service credit accrued as of a particular date or only that service credit accrued after a particular date. C24 asks whether specific dates are cited, not whether the formula counts only a specific number of years of potential service credit.

- C25. There may be a maximum number of PSY that can be used in calculating retirement benefits.
- C26. Many benefit calculations take into account some measure of the employee's earnings, often measured near the end of his/her career, hence the term "final average pay" (FAP).

Answer "YES" to C3 only in cases where FAP is part of the benefit formula. Some formulas pay a flat dollar amount or a dollar amount per year (or month) of service. It may be the case that the employee's wage determines the dollar amount, but the employee's wage does not directly enter the benefit calculation. See a supervisor in the case of such benefit formulas.

The definition of FAP for use in the benefit formulas is coded in C27-C31. Each definition of FAP has five parts:

- (C27) the number of years or months that define FAP,
- (C28) whether the benefit formula uses a monthly or a yearly FAP,
- (C29) any calendar dates that apply to the definition of FAP,
- (C30) any maximums on age or service, and
- (C31) any maximums on salaries used in the calculation of FAP.

Each unique combination of these five features (number of years, monthly vs. yearly FAP, dates, age and service maximums, and salary maximums) should be coded as a separate FAP (see explanation of ASY at C1).

For each definition of FAP, check the box to indicate whether the SPD defines FAP in terms of monthly or yearly time periods. For instance, one SPD might define FAP as the average of the 5 highest consecutive year's salaries out of the final 10 years of employment. Another SPD might define FAP as the average of the highest consecutive 60 months out of the final 120. Both examples would be coded in category "g" of C27. For the first case, mark the box indicating that the definition is given in terms of years. Enter the numerals 5 and 10 in the appropriate spaces of code "g." For the second case, mark the box indicating that the definition is given in terms of months. Enter the numerals 60 and 120 in the appropriate spaces of code "g". Code FAP in the same terms used in the SPD; do not convert months to years or vice versa.

- C27. Use category "a" if FAP is defined to be the wage rate the employee is earning on the day he/she retires. Use category "d" if FAP is defined to be the employee's average wage during his/her final month/year of service. The most common method of calculating a retirement benefit under a defined benefit plan is to (1) wait until the employee retires, (2) calculate FAP based on an average of the employee's final years of earnings, and (3) calculate the retirement

benefit. But under some defined benefit plans, the employee accrues a "benefit credit" each year. The "benefit credit" each year is based on the pension formula and the current year's salary. The benefit payable at retirement is the sum of the benefit credits. For example, each year the employee might earn a benefit credit equal to 10% of that year's salary. To code such a plan, use category "b" in C27 ("TOTAL OF ALL MO/YRS."). The benefit formulas in C5 would be written as "10% * FAP1", the mathematical equivalent of the sum of each year's benefit credits. Notice that if FAP is defined as "TOTAL OF ALL MO/YRS", FAP will normally not be multiplied by ASY in the benefit formula (C5).

In coding FAP, ignore detailed descriptions of the type of income to be included or excluded--commissions, bonuses, overtime, etc. Also ignore special provisions for calculating FAP if the employee has fewer years of service than the normal averaging period (e.g., FAP is normally calculated the highest 5 out of the final 10 years, but all years of service are used if the employee has been employed fewer than five years).

C28. This question asks if the normal retirement benefit formulas are calculated using final average monthly pay or final average yearly pay. This question is completely independent of whether FAP is defined in terms of months or years in C27. SPDs often define FAP in terms of some final number of years, yet present formulas using final average monthly pay to calculate a monthly retirement benefit.

C29. In some plans, especially those with a past service formula, FAP is calculated using only salaries earned as of a particular date or only after a particular date. C29 asks whether specific dates are cited, not whether the calculation of FAP considers only a specific (final) number of years.

Enter only the month and year.

C30. In some plans, FAP is calculated using only salary earned up to the point at which the employee reaches a particular age or number of years of service, even if the employee continues to work. Code such a maximum here.

Mark the box and specify by number the measure of ASY (if any) used in this maximum. Use the ASY number (ASY1, ASY2, ASY3) defined in C1A.

C31. Some plans specify a limit on the monthly or yearly salary that can be used in the calculation of FAP. This question is not asking whether there is a limit on the value FAP can take on in the benefit formula. It is asking whether there is a limit on the yearly or monthly salaries that compose FAP.

C33. Retirement formulas for death benefits, early retirement and disability retirement often include a reduction factor--a "penalty" for retiring before normal retirement age. Because early retirees receive pension benefits for more years than do people who retire at the normal retirement age, the early retirees are paid smaller monthly/annual benefits.

Mark the box and specify by number the measure of ASY (if any) used in the adjustment factor.

Category "a" is for actuarial reductions. With this type of reduction, the employee receives a benefit that is actuarially equivalent to the benefit the employee would have received had he/she retired at some later point--normal retirement age, another age, or the time his/her age plus service years was equal to a specified number of "points" (age plus years of service). If the reduction is the actuarial equivalent of a benefit calculated at another point, use the unlabeled box.

For death benefits, if the benefit is actuarially equivalent to a survivor benefit as if the participant had retired at death, mark "a", and for age, write "0".

Category "b" is for reductions in which a percentage or a dollar amount is multiplied by the number of years the participant retires before reaching a specified age, a specified number of years of service, or a specified number of "points". Mark whether the reduction is a dollar amount or a percentage. Then mark whether the reduction is based on AGE, ASY, or AGE+ASY. Next, enter the age, number of service years, or number of "points" in the blank. For example, if the reduction is 4% for each year the employee retires before age 65, mark the % box and write 4 in the blank below. Then mark the AGE box and write 65 in the blank below.

It may be necessary to write a symbol for an age and service requirement (e.g., RAS2) in the unlabeled box underneath "AGE + ASY". This would be the case for a plan in which normal retirement could not be described as a single AGE, a single ASY, or a single AGE+ASY. For example, normal retirement might be defined as either age 65, or age 63 with 5 years of service.

Category "c" is for reductions based on a flat dollar amount or percentage. The dollar amount or the percentage depends on the employee's age, years of service, or number of "points". Mark the boxes as described under category "b" above. Then fill in the blanks using as many lines as necessary.

SPDs often present reductions in a table that can be appropriately coded in category "c". One example of such a table is:

<u>Age at Retirement</u>	<u>Percentage of Normal Retirement Benefit Payable</u>
55	60
56	62
57	64
58	66
59	68
60	70
61	76
62	82
63	88
64	94
65	100

Note that the benefit payable at age 64 is 6% less than that payable at age 65, the benefit payable at age 63 is 6% less than that payable at 64, and so on until age 60. At that point, the reduction becomes 2% per year. To code this reduction, mark the % and AGE boxes. Then fill in the blanks as follows:

_____	UNDER (NO MIN):	_____
<u> 2 </u>	FROM (MIN):	<u> 55 </u>
	(To):	<u> 60 </u>
_____	FROM:	_____
_____	TO:	_____
<u> 6 </u>	FROM:	<u> 60 </u>
	TO (MAX):	<u> 65 </u>

Note that the space "FROM (MIN)" was used because the minimum age at which this formula can be applied is 55.

Occasionally, plans only pay death benefits if the participant chose a survivor form of payment before dying. In this instance, the plans often charge the deceased a service charge for the number of years the survivor election was in effect. In such a case, ignore the specific service charge per year, mark "z", and write "COSTRED" in the space provided.

Disability benefits sometimes require that any workman's compensation payments serve to reduce the amount of the disability pension. In such a case, mark "z", and write "WORK COMP" in the space.

SECTION D: DEFINED BENEFIT PLANS - BENEFIT FORMULAS

GENERAL NOTATION GUIDELINES

- (1) Only the variables defined in Section C should be used in the formulas. The one exception to this rule is AGE. AGE may be used as a variable when it enters into the calculation of benefits. Do not use AGE as a variable when age is the basis for choosing between formulas. This should be coded in the RAS eligibility section.
- (2) If a formula includes a dollar amount, prefix the amount with a dollar sign (\$). If a formula uses a percentage write a percent sign (%) after the percentage amount.
- (3) Allowable operators for addition, subtraction, multiplication, and division are: +, -, *, and /.
- (4) If you need to modify the natural order of operations, use parentheses (). Never use brackets [] to change the order of operations.
- (5) Use brackets to indicate a range for terms within the formulas. The condition should immediately follow the term to which it refers. For example, a formula might be written:

$$\begin{aligned} & \text{ASY1} * 3\% * \text{FAP1} [\text{FAP1} \leq \$20,000] + \\ & \text{ASY1} * 4\% * \text{FAP1} [\text{FAP1} > \$20,000] \end{aligned}$$

- (6) MAX and MIN are allowable. For example, NRT#1 may be coded:

$$\text{MAX (NR1 OR NR2 OR NR3)}$$

- (7) Each formula must have only one definition of RAS, DAT, ROT, LNG, BEG. For example, "RAS 1 or 2" is incorrect.
- (8) Each formula must contain no more than 120 characters.

In general, code formulas as single life annuities. Ignore other payment forms, such as joint and survivor annuities. The one exception is the formula for death benefits. See the "Death Before Retirement" section below.

D1 THROUGH D10 INSTRUCTIONS

Code in D1 through D8 the formulas for all benefits and supplements that would be received from the defined benefit pension plan at normal, early, vested deferred, and disability retirement. Record in D9 - D10 the death benefits in case of death before retirement.

Questions D1, D3, D5, D7, and D9 ask for the component formulas for normal, early, vested deferred, disability, and death benefits, respectively. Questions D2, D4, D6, D8, and D10 define how those component formulas are combined to determine the total benefit.

If there are or were employee contributions to the plan, code the benefit that the employee would receive if he/she chose not to make a lump-sum withdrawal of contributions at retirement.

Some plans may present benefits in a table. They may pay a flat dollar amount per year (or month) of service. It may be the case that the employee's wage determines the dollar amount used but does not directly enter the benefit calculation. Or the amount of the retirement benefit may depend on the employee's occupation. In the case of such tables, see a supervisor for further instructions.

If the formula includes a FAP that was defined in question C27 above as being total wages or salaries (box "b"), then FAP will normally not be multiplied by ASY.

Space is provided for coding up to five formulas. The different formulas (if more than one per plan) may be alternatives (for example, the employee receives whichever formula produces the highest benefits), or they may be summed or related in various other ways to calculate the actual benefit. In D1, simply write the formulas. Their relationship to one another will be coded in D2. However, it may be necessary to use such terms as "MIN" or "MAX" within a formula coded in D1.

If there are more than five normal retirement formulas, write the additional formulas on the attachment for extra formulas, and attach the sheet to the coding instrument.

Code benefit formulas the same way they are presented in the SPD, either monthly or annually. The only restriction is that the coding must remain consistent throughout the coding instrument. Check the box in D1 to indicate whether the formulas determine monthly or yearly benefits.

Vested Deferred Retirement

Code all formulas only for participants who are 100% vested.

Disability Retirement

Only code formulas for disability if the amount or timing of the benefits differs in some way from the formulas coded in normal, early, or vested deferred retirement formulas. Although plans sometimes base payments on the degree of disability suffered, code only the benefit for totally and permanently disabled participants. Ignore benefits payable from plans other than the retirement plan, such as health and welfare plans. Code only benefits that will be paid from the pension plan.

Death Before Retirement

In coding these formulas, assume the participant dies leaving a surviving spouse of the same age to whom (s)he has been married for more than one year. Ignore provisions for dependent children.

Code the 50% joint and survivor option if one is stated. If the 50% joint and survivor option is not coded, see a supervisor. Also, be sure to indicate the form of payment

for this benefit under special provisions, question F11. For example, a plan may entitle a spouse to a 50% joint and survivor annuity as if the participant had retired early just before death. In such an instance, DS#1 might be coded "ERT".

After writing the formulas, go to E1-E4. Code definitions for RAS, DAT, ROT, LNG, and BEG. Return to Section D and enter the appropriate numbers for RAS, DAT, ROT, LNG, and BEG in the boxes next to each formula. The terms in the box define the conditions that must be met to qualify for that particular formula. Each formula may have only one RAS, one DAT, etc. It is incorrect to write RAS 1 or 2.

There may be cases in which one writes the same formula twice (NR#1 and NR#2), simply because different RAS/DAT/ROT/LNG/BEG combinations are involved. For example, one may qualify for a particular benefit at age 65, or at age 60 if the employer gives approval. The formulas themselves would be identical but the first formula would have a RAS defined as "AGE 65" and a ROT defined as "NO OTHER SPECIAL REQUIREMENTS" while the second formula would have a RAS defined as "AGE 60" and a ROT defined as "EMPLOYER APPROVAL REQUIRED".

SECTION E: DEFINED BENEFIT PLANS - ELIGIBILITY

- E1. Record all combinations of age and service at which an employee could retire and immediately begin to receive a pension. Note that the age and service requirements coded here are independent of the vesting schedule. Code the age and service at which an employee is eligible to retire, regardless of whether he/she is fully vested. If vesting percentages are automatically increased to 100 percent at normal retirement age, as is the case with many plans, this fact should be coded in Section F below. Note that categories "d"- "f" are identical and are repeated to allow you to record several alternative combinations.

Do not code age/service requirements that qualify an employee to receive retirement benefits in cases of layoffs, plant shutdowns, or retirement at the request of the employer.

Each unique combination of age and service should be coded as a separate RAS. To code the first RAS (in the column headed "RAS1"), mark boxes for all combinations of age and service that would qualify an employee to receive benefits under a particular formula. If the age/service requirement is solely a function of age and not service; the box labeled "NOT USED" must be checked at the top of the column. However, if there is a minimum service requirement, the box labeled "ASY" must be checked, and the number corresponding to the correct ASY must be filled in. If the relevant ASY is the sum of two variables (e.g., ASY1+ASY2), then both numbers should be written into the blank (e.g., "1+2"). Fill in the blanks marked (1) for those boxes.

If one of the benefit formulas has a different set of age/service requirements, move to the column headed "RAS2" and answer the questions as before. Repeat for "RAS3" if necessary.

- E2. Often when pension plans are revised, old formulas are gradually phased out. The SPD may present several different formulas, each in effect for some specific calendar time period. The employee receives a benefit based on whichever formula is in effect on his/her retirement date. Do not use this question to code outdated formulas. Code only those formulas in effect in 1989 or later. This question asks whether a person has to retire during a specific calendar time period to qualify for a particular benefit.

- E3. Record anything not coded elsewhere that determines whether an employee qualifies for a particular normal retirement benefit.

Plans often have special formulas that apply only to people who became plan participants during a particular calendar time period. Use boxes "e"- "h" to code such formulas. This is not to be confused with the calendar time restrictions on ASY, PSY, and SS that were discussed above.

More than one box may be marked for one ROT definition when appropriate.

- E4. This question asks how long the normal retirement benefit and supplemental payments last. In some plans, the employee receives a regular benefit payment for life as well as a one time lump-sum supplement payment. In such a case,

mark box "a" in column LNG1 and box "h" in LNG2. Do not use category "h" to code a formula for the amount an employee would receive upon exercising a lump-sum withdrawal option at retirement.

Some plans with Social Security offsets allow an employee to retire and begin to receive normal retirement benefits before he/she qualifies for Social Security payments. When Social Security payments begin, the retirement benefit is adjusted to include the SS offset. In such a case, code the normal retirement benefit as two formulas: one without the offset, paid "until eligible for SS benefits" (box "f" under LNG1) and one with the offset, paid "after eligible for SS benefits" (box "g" under LNG2).

When using categories "f" or "g", note the type of SS benefit for which the employee must qualify: unreduced (age 65 benefit) or reduced (age 62 benefit).

- E5. This question asks at what time payments begin. If payments begin at the time the participant would have qualified for normal retirement, check box "j".

After completing E1-E5, go back to question C5. In the box next to each formula, enter the numbers of the RAS, DAT, ROT, and LNG that apply.

SECTION F: DEFINED BENEFIT PLANS - SPECIAL FEATURES

- F1. Some plans will specify an age at which employees must retire (unless the employee is working in a state that prohibits mandatory retirement or has a higher mandatory retirement age).
- F3. The "special adjustment factor" must be a "bonus" paid to people who work beyond normal retirement age. If people who retire late receive the same benefit they would have received had they retired at the normal retirement age, mark box 5--"USE NORMAL RETIREMENT FORMULAS AND MAXIMUMS". Similarly, if people who retire late receive a larger benefit simply because additional service years or a larger salary is used in the normal benefit formula, use box 5.
- F4. Mark the box and specify by number the measure of ASY (if any) used in the adjustment factor. Use the ASY number (ASY1, ASY2, ASY3) defined in CIA.

Use category "a" for cases in which benefits are actuarially increased. First, mark whether the increase is a bonus paid for work after a specified age, after a specified number of years of service, or after accruing a specified number of "points" (calculated by summing age and service years). If the actuarial increase is based on working beyond another benchmark, mark the unlabeled box and write a description of that benchmark in the blank.

Next, enter the age, number of service years, number of "points", etc. in one of the blanks. The choice of blanks depends on whether there is some maximum after which further employment will not be rewarded with the "special adjustment." A mandatory retirement age should not be coded as a maximum here.

Category "b" is for adjustments in which a percentage or a dollar amount is multiplied by the number of years the participant works past a specified age, past a specified number of years of service, or after accruing a specified number of "points". Mark the appropriate boxes, using the unlabeled spaces if necessary. Next, enter the dollar amount or percent as well as the age, number of service years, or number of "points" in the appropriate blanks below.

Category "c" is for adjustments based on a flat dollar amount or percentage increase. The dollar amount or the percentage depends on the employee's years of service, or number of "points". For example, a formula might pay an extra \$500 for each year the employee works between age 65 and age 70, and pay an additional \$300 for each year the employee works after age 70.

Mark the boxes as described under category "b" above. Then fill in the blanks using as many lines as necessary.

Category "d" is for those instances in which a plan guarantees the maximum of the retiree's benefit using the normal formulas or the actuarial equivalent of the retiree's entitlement at normal retirement age.

Note that question F4 asks for adjustment rate per extra year, not month, of service.

- F5. Mark box 1 ("YES") only if there are one or more disability benefit provisions that are distinct from provisions that apply to retirees who are not disabled and that have been coded in Sections C through E above. These special provisions can take the form of special formulas, special increases in vesting percentages, or provisions that permit the continued accrual of service credit after disablement. If no such provisions are present mark box 5 ("NO").

Many plans base payments on the degree of disability suffered by the participant. Also, there are often special provisions that apply to participants who recover from disability before reaching normal retirement age, and so forth. Ignore these provisions, and answer all the questions in this section as they apply to a participant who becomes totally and permanently disabled.

At many places of employment, disabled employees may be eligible for benefits from one or more other health and welfare plans. For example, some plans specify a formula for paying benefits to disabled employees, but state further that until early or normal retirement age these benefits will be paid from a fund other than the retirement fund. Answer all questions in this section as they apply to payments from the retirement plan only.

- F6. One way in which a plan may provide special benefits for disabled participants is to pay benefits according to normal or early retirement formulas, but to waive vesting requirements that apply to other employees who retire or end employment. If disability is itself sufficient to qualify for full vesting, check box "a". If in addition to disability, there are requirements stated in terms of AGE and ASY, check the appropriate box from among "b" through "f", each of which should be self-explanatory. (Of course, if none of these categories applies, check box "z" ("OTHER (SPECIFY)") and write in the correct answer).

Alternatively, benefits might be paid according to special formulas for disability retirement. If such formulas apply to all participants who become disabled, regardless of age or service credit accrued, check box "a". If disabled participants become eligible for full benefits only after meeting certain age and service requirements, check the appropriate box from among "b" through "f". (Again, if none of the categories applies, check box "z" and write in the correct answer.)

If the special vesting rule depends on the participant's accrued service at the time of disablement (i.e., box "c", "d", .. e", or "f" is marked), the box at the top labeled "ASY=" must be marked, and a number indicating the definition of ASY must be written into the blank. If any other box is marked, the box at the top labeled "NOT USED" should be marked.

- F7. Many plans permit disabled participants to continue to accrue service credit after disablement, often with a view to paying them a benefit at normal retirement age that is equal to the benefit for which they would have qualified had they continued to work until normal retirement age. If the SPD states that this is permitted, and if there are no limits to the service credit that can be accrued in

this fashion (apart from the limits defined in question C2 above), check box "a". If service credit can be accrued only until the disability retiree has reached a certain level of ASY, or only until he/she has attained a certain age, or some combination of AGE and ASY, check the appropriate box from among boxes "b" through "h"; the individual categories should be self-explanatory. (If none of these categories is applicable, check box "z" and write in the correct answer). If no such provision is present, check box "i".

Be sure to specify which ASY (ASY1, ASY2, etc.) is being referred to by writing the number in the appropriate space.

F9. See the instructions for question F6 above.

F10. See the instructions for question F7 above.

F11. Code the form of payment coded in the death and survivor section. Generally, this should be coded, "50% Joint and Survivor". If only 60% or 100% options are available, code "60% Joint and Survivor" or "100% Joint and Survivor". If the formula is based on a single life annuity, write "Single Life Annuity" in the blank. If another type of payment is used, see a supervisor.

F12. Check box 1 ("YES") only if, as a matter of standard policy, the plan automatically grants periodic cost of living adjustments to the benefits of persons who are already retired. Some SPDs may indicate that an increase in benefits has been implemented in the recent past on a one-time-only, ad hoc basis, or that a similar increase is planned soon. Ignore such provisions if they are not part of a policy of systematic, automatic adjustments to benefit levels.

F13 - F18

Record in these questions how the cost of living adjustment is made. These questions are self-explanatory.

F20. Some plans pay out a lump sum the death of a retired participant. Note here in which types of retirement a lump sum payment is available on the participant's death.

F21. Record here the amount of the lump sum payable on the death of a retired participant.

F22. Many plans have provisions known as joint and survivor options under which benefits can be paid to a beneficiary after the retiree's death. Mark box 1 ("YES") if such an option is available, under any circumstances, regardless of whether it is mandatory or optional.

F24. Code the vesting schedule for the defined benefit plan. If the plan is a combination defined benefit and defined contribution plan, vesting schedules for the two parts of the plan will usually be different and will be coded separately. Do not code information on rights to benefits when the employee retires early or becomes disabled.

Record vesting schedules for receiving deferred pension benefits at the normal retirement age. Some plans may specify different (more stringent)

requirements for receiving deferred vested benefits at the early retirement age; however, these should not be coded. In category "b" participants are immediately fully vested. Category "c", cliff vesting, is for plans in which the vesting, percentage increases from 0% to 100%, with no intermediate steps, after the employee has worked a specified number of years. Use the code "AGE: OR ASY: " if the plan exempts workers of a particular age from the normal service requirements and considers them 100% vested regardless of service. If service requirements are lowered (e.g., from ten to five years) for participants retiring at a particular age, make a note in the margin (e.g., "or age 60 and 5 ASY").

Category "d", step vesting, is for plans that have at least one intermediate step involving partial vesting before full vesting is reached. Space is provided for coding three steps. Code in the first set of blanks the point at which the employee first attains a right to a portion of the retirement benefit. Code in the third set of blanks the point at which the employee becomes 100% vested. In the remaining set of blanks, code the middle step (i.e., if there are five steps code the third, if there are seven steps code the fourth, etc.). If there are an odd number of steps and therefore are two middle steps, code the one that is closest to 50% vesting. Note the instructions under cliff vesting above regarding special vesting provisions for people who retire at a particular age.

DEFINED CONTRIBUTION PLANS: GENERAL

Some plans provide special provisions for "rollover" contributions, a reinvestment of retirement savings from another plan. Ignore such provisions.

Many leveraged employee stock ownership plans pay dividends currently to employees. Since these dividends are not retirement-related, they should be ignored.

SECTION L

DEFINED CONTRIBUTION PLANS: PARTICIPANT CONTRIBUTIONS

- L1. The sequence number, PPID, and Plan # should be copied from the cover sheet.**
- L2. Some plans base contribution formulas or eligibility requirements on actual service years (ASY). For a further explanation of the questions in this section, see questions C1 through C4.**

SECTION M

DEFINED CONTRIBUTION PLANS: PARTICIPANT CONTRIBUTIONS

- M1.** Some defined contribution plans require that employees make contributions as a condition of participation in the plan. If this is the case, mark box 1 ("YES"). Otherwise, mark box 5 ("NO"). Note that this question does not ask whether participation in the plan is itself mandatory; this question should not be confused with question A4 above. Some plans specify that contributions may vary within a certain range (e.g., 3 to 8 percent). We treat this as a case in which there are two contributions: a mandatory contribution of 3 percent, and a voluntary contribution of up to 5 percent. Accordingly, both questions M2 through M2J and questions M3 through M3K should be answered.
- M1A.** Some defined contribution plans permit employees to make contributions to the plan; such contributions may or may not be in addition to mandatory contributions. If this is the case, mark box 1 ("YES"). Otherwise, mark box 5 ("NO").
- M2.** See the instructions for question C6 above.
- M2A.** See the instructions for question C7 above.
- M2B.** There may be cases in which the contribution formulas have changed at a certain time, so that the rate at which employees are credited with contributions to their account depends on the calendar time period(s) in which service was credited. In such cases, separate formulas should be indicated in separate columns, and the calendar time period to which each applies should be indicated accordingly.
- M2C.** Some plans require that employees begin to make contributions when they begin to work for the firm. In such cases mark box "a". In other plans contributions are required only of employees who have worked for the firm for a certain length of time, or who have attained a certain age. In such cases mark the correct box from among "b" through "e", and fill in the blanks with the appropriate information concerning age and/or years of service. See the instructions for question C1 above for a further explanation of these combinations of age and service requirements.
- M2D.** Some plans do not require that employees make contributions after they have attained a certain age or a certain number of years of service. In such cases mark the appropriate box from among "a" through "e", and fill in the corresponding blank with the appropriate information concerning age and/or years of service. See the instructions for question C2 above for a further

explanation of these combinations of age and service requirements. If a box from among "b" through "e" is marked, then the applicable ASY number should be noted in the box at the top; otherwise, the box labeled "NOT USED" should be marked.

M2E. Some plans automatically match mandatory employee contributions with employer contributions, in full or in part. In such cases mark box 1 ("YES"); otherwise, mark box 2 ("NO").

M2F. An employer can match an employee's mandatory contribution in many ways. One way is to contribute a specified proportion (such as 50 percent or 100 percent) of the employee's contribution; in such cases box "a" should be marked, and the correct percentage written into the corresponding blank. If matching is at the discretion of the employer, but not explicitly linked to profitability, mark "b". If matching is explicitly linked to profitability, code the matching in Section R, and note the matching feature in question R2D. In other cases the fraction of the employee contribution that is matched by the employer may vary depending on the employee's age, years of service, salary level, or other circumstances. For an explanation of the various categories under box "c", see the instructions for question C12 above.

M2G. In some plans there is a maximum amount that the employer will contribute in the way of a matching contribution, the formula coded in question M2F notwithstanding. Sometimes this maximum may be expressed as a dollar amount, in which cases box "a" should be checked, and the dollar amount written into the corresponding blank; this dollar amount should be annualized. If the maximum is expressed as a percentage of the employee's wages or salaries, then box "b" should be marked and the percentage written into the corresponding blank. If the maximum is expressed in another way, mark box "z" and write in an explanation. If there is no maximum, mark box "c".

Remember that the maximum coded here applies only to the employer contribution that matches the mandatory employee contribution, and not any other employer or employee contribution or combination of contributions.

M2H. There may be cases in which the contribution formula that applies to a participant depends on when he/she became a plan participant. In such cases separate formulas should be indicated in separate columns, and the corresponding calendar time period for each formula should be indicated accordingly. In box "g", "IF PLAN PARTICIPANT FROM ... TO..-" is used in those cases in which a formula applies to employees who participated in the plan at any point between the two dates indicated; this category does not imply that an employee must have participated over the entire time period in order for the formula to apply.

This question should not be confused with question M2B. This question is used to indicate these cases in which distinctive contribution formulas apply to participants permanently, based on the date of initial plan participation.

- M2J. For an explanation of the different types of vesting schedules, including immediate 100% vesting, cliff vesting, and step vesting, see the instructions for question F24 above. If the answer to this question depends on the employee's length of service, then the appropriate ASY number must be indicated in the box at the top; otherwise, the box labeled "NOT USED" must be marked.
- M3. See the instructions for question C12 above. If the employee has the option to contribute on either a before or after tax basis, assume the following: the employee contributes on a pre-tax basis up to the 401-k maximum. Since the 401-k maximum is indexed, and changes annually, use the initial 401-k maximum, \$7,000.

Assume, for example, an employee is allowed to save, on either a pre-tax or post-tax basis, an amount equal to 15 % of her salary. Code this as a pre-tax contribution. Mark "c" for M3A, mark "15" in the space provided, and "46667" ($\$7,000 / .15$) for the dollar amount. Then code a second VOL for the post-tax contributions. For question M3A, mark "g". Mark "% PAY", and write "0" in the "UNDER" row. Mark PAY in the next column, and write "46667" in the space provided. Then mark "15" for the percentage in the "OVER" row and 46667 for the amount of pay.

This assumes that the participant saves in the most tax advantaged manner until such savings are no longer available.

- M3A. See the instructions for question C12A above.
- M3B. See the instructions for question C7 above.
- M3C. See the instructions for question M2B above.
- M3D. See the instructions for question M2C above for an explanation of the different categories.
- M3E. See the instructions for question M2D above for an explanation of the several categories.
- M3F. See the instructions for question C8 above. If a box from among "c" through "f" is marked, the appropriate ASY number must be indicated in the box at the top; otherwise, the box labeled "NOT USED" must be marked.
- M3G. For an explanation of the various categories, see the instructions for question M2F above.
- M3H. See the instructions for question M2G above.
- M3I. See the instruction for question M2H above.

M3K. See the instruction for question M2J above. If the vesting schedule is the same as the one that applies to employer contributions that match mandatory employee contributions, as coded in question M2J above, mark box "a" and indicate the vesting schedule (MMAN1, MMAN2, or MMAN3) in the corresponding blank.

SECTION R

DEFINED CONTRIBUTION PLANS: EMPLOYER CONTRIBUTIONS

- R2. Use more than one column if there are two or more distinct types of employer contributions that depend on company performance, but any of the following respects: different measures of performance (e.g., profitability, revenue growth), different minimum or maximum (aggregate) contributions, different formulas for allocating contributions to participants, or eligibility and/or vesting requirements. If there are more than three types of contributions, see a supervisor for instructions.

In plans that do not feature immediate full vesting of all contributions, there will be some funds that revert to the plan each year because employees terminate before becoming fully vested. If these forfeitures are distributed in addition to contributions defined by "regular" contribution formulas and eventually allocated to the accounts of other participants, then this should be treated as a separate contribution in a separate column; box "k" should be marked. On the other hand, if employer contributions are reduced by the amount of the forfeitures, so that the total addition to the pension fund is given by the contribution formula(s), no additional contribution should be indicated.

For LESOPs, mark "l".

- R2A. If a percentage rate is indicated, be sure that it refers to the criterion checked in the column directly above in question R2.

For ESOPs and LESOPs, take the entire cost of the stock purchase and divide that cost by the number of years over which the stock will be distributed. Ignore subsequent appreciation or depreciation of stock, and ignore dividends.

- R2B. See the instruction for question R2A above.

- R2C. See the instruction for question R2A above.

- R2D. If one of boxes "m," "n," "o," or "p" is checked, the number of the corresponding MAN or VOL variable (e.g., MAN2, VOL3) should be entered in the blank. Be sure that the corresponding variable has been defined above (in question M2 for MAN1-MAN3; in question M3 for VOL1-VOL3).

- R2E. If box "h," "i," or "j" in question R2D was checked, then the allocation of employer contributions to a participant depends on whether his/her salary is above the Social Security taxable wage base, or a variant thereof. See the instructions for question C18 above for an explanation of the several ways in which the Social Security taxable wage base can be defined.

- R2F. See the instructions for question M2B above.
- R2G. See the instructions for question C30 above. In addition, it should be noted that this question applies only to minimum requirements in terms of hours, weeks, or months of work in a year *per se*. For example, in plans in which the employer's contribution is proportional to the employee's salary, an employee who is employed on a part-time basis would be credited with a smaller contribution than if he/she had worked full-time, all other things being equal, simply by virtue of his/her smaller annual earnings. In such cases, mark box "a", "FULL CONTRIBUTION FOR EACH YEAR EMPLOYED; NO MINIMUM WORK REQUIREMENT," unless there is yet a further reduction (or elimination) in the employer's contribution based on the employee's failure to meet an employment requirement stated in terms of hours, weeks, or months of work.
- R2H. See the instructions for question M2H above.
- R2J. See the instructions for question M2C above.
- R2K. See the instructions for question M2D above.
- R2L. See the instructions for question M2J above.
- R2M. Some plans permit vested participants to withdraw employer contributions before they retire or terminate employment. If this privilege is accorded to all vested employees, mark box "a" ("YES"). If such withdrawals are permitted only for employees who have fulfilled some combination of age and service requirements, mark the appropriate box from among "b" through "f", and fill in the corresponding blanks with the minimum age and/or ASY. If a box from among "e" through "f" is marked, the ASY number must be written into the box at the top; otherwise, the box labeled "NOT USED" must be marked. If such withdrawals are not permitted, mark box "g". Note that withdrawal privileges should be coded here only if the participant can exercise them at his/her discretion (i.e., there are no special requirements such as employer approval). Also, this question refers only to withdrawing employer contributions made according to the formula described in questions R2 through R2K above, and not any other employer or employee contributions.
- R3. Code one formula in each COLUMN for every unique combination of:
- (R3A) Dependence on the Social Security taxable wage base (SWB)
 - (R3B) Calendar dates that are relevant in determining contribution levels
 - (R3C) The number of hours an employee must work to be given credit for a year of service

(R3D) Other requirements that an employee must satisfy to be credited with employer contributions.

(R3E) Requirements for initial participation (in the sense of receiving that particular employer contribution).

See the instructions for question C6 above for an explanation of the various categories.

R3A. See the instructions for questions M2A above.

R3B. See the instructions for question M2B above.

R3c. See the instructions for question C3 above.

R3D. See the instructions for question M2H above.

R3E. See the instructions for question M2C above.

R3F. See the instructions for question M2D above.

R3G. See the instructions for question M2J above.

R3H. See the instructions for question M3F above.

SECTION S

DEFINED CONTRIBUTION PLANS: RETIREMENT BENEFITS

- S1A. Some employers make lump-sum contributions in addition to regular contributions to achieve specified goals, such as enabling participants to achieve a certain benefit level. See the instructions for question C6 above for an explanation of categories; "a" through "g". If employers make a lump-sum contribution to achieve a certain minimum account balance, mark box "h" and write the target account balance in the corresponding blank. If employers make a lump-sum contribution to increase the account balance to an amount that permits the payment of a specified retirement benefit, mark box "c" and write the target retirement benefit in the corresponding blank (MAKE sure this benefit is expressed as an annual amount). If the employers make a lump-sum contribution to increase the account balance to an amount that permits the payment of a retirement benefit that is a specified percentage of the employee's wages or salary before retirement, mark box "j" and write the target percentage in the corresponding blank.

The employer may make a lump-sum contribution to permit the payment of additional benefits to replace Social Security benefits for employees who retire before they are eligible for such benefits. In such cases, mark box "k" if the payments are made until the employee is eligible for full Social Security benefits, box "l" if the payments are made until the employee is eligible for reduced Social Security benefits, and box "m" if it is not stated whether full or reduced Social Security benefits are being replaced.

If lump-sum contributions are made according to a rule other than those described above, mark box "z" and write in the rule used to determine the amount of the lump-sum contribution.

- S1B. See the instructions for question M2A above.

- S1C. See the instructions for question M2H above.

- S2. Use the formula numbers coded in Sections M through S only and standard notation (see Standard Notation - Section D) to express how the contribution formulas in these sections are related to one another, do not include variables defined in Sections T and W. For example, an employee might be credited with a contribution equal to the sum of three variables, the largest of three, or some amount determined by a more complicated relationship among various variables. If there is only one benefit formula, repeat its number here (e.g., COE#1).

Use only formula numbers and standard notation.

- S3. Code the age and service requirements, if any, that must be met for a participant to begin receiving a lifetime annuity (as opposed to a lump sum distribution) based on accumulated contributions and interest. These requirements pertain to the immediate receipt of annuity payments, as opposed to being entitled to eventual payments (i.e., vesting). If there are no age or service requirements, mark box "g". Otherwise, mark the appropriate box from among boxes "b" through "j", and fill in the corresponding blanks with the minimum age and/or ASY requirements. If a box from among "c" through "j" is marked, the appropriate ASY number must be indicated at the top; otherwise, the box labeled "NOT USED" must be checked.

If the plan offers the option of receiving an annuity or a lump sum distribution, answer this question as it relates to the annuity option. If no annuity option is offered, mark box "z" and write in "NO ANNUITY; LUMP SUM PAYMENTS ONLY."

- S4. See the instructions for question S3 above.

SECTION T

DEFINED CONTRIBUTION PLANS: EARLY AND LATE RETIREMENT

- T1. See the instructions for question F1 above.
- T3. See the instructions for question S1A above.
- T3A. See the instructions for question S1B above.
- T3B. See the instructions for question M2H above.

SECTION W

DEFINED CONTRIBUTION PLANS: DISABILITY, DEATH AND SURVIVOR BENEFITS

- W1. Mark box 1 ("YES") only if there are one or more disability benefit provisions that are distinct from provisions that apply to retirees who are not disabled, and which have been coded in Sections L through S above. These special provisions can take the form of special formulas, special increases in vesting percentages, or provisions that permit the continued accrual of service credit after disablement. If no such provisions are present mark box 5 ("NO").
- W1A. See the instructions for question F6 above.
- W1B. See the instructions for question S1A above.
- W2A. See the instructions for question C13 above.
- W2B. See the instructions for question C13 above.
- W2C. See the instructions for question M2B above.
- W2D. See the instructions for question M2H above.
- W3A. See the instructions for question F9 above.
- W3B. See the instructions for question F10 above.
- W4A. See the instructions for question S1A above.
- W4B. See the instructions for question C18 above.
- W4C. See the instructions for question M2H above.

SECTION X

DEFINED CONTRIBUTION PLANS: PAYMENT OPTIONS

- X1. See the instructions for question F22 above. Survivor benefits, as the term is used here, are lifetime annuities for surviving spouses or other qualified beneficiaries. Hence, if only lump sum distributions are made by this plan (see question S3 above), mark box 2 ("NO").

SECTION Y

DEFINED CONTRIBUTION PLANS: CLASSIFICATION AND MISCELLANEOUS PROVISIONS

- Y1. Code here the kind of defined contribution account for each variable coded in Part III.
- Y2. Because participants bear the investment risk in defined contribution plans, many plans allow the participant to direct the investment of their accounts. If the plan allows the participant to direct the investment of one or more accounts, note the variables for which the participant may direct the investment.
- Y3. If the answer to Y2 was "Yes", mark the investment options the participant has to choose from.
- Y4. Many of the defined contribution accounts carry substantial tax penalties for withdrawal before retirement, if withdrawal. To allow participants access to their funds without adverse tax consequences, some firms will allow participants to borrow against their accounts. Note here those funds which allow participant loans.

1989 SURVEY OF PENSION PROVIDERS - SAMPLE TABLE

	Households	People	Providers	Plans
Eligible for Sample	1,453	1,863		
Provider Name Given	1,299 (84%)	1,544 (83%)	924	1,129
SPD Obtained	1,039 (80%)	1,201 (78%)	704 (76%)	875 (78%)
Successful Plan Coding	948 (91%)	1,101 (92%)	629 (89%)	788 (90%)
Overall Coverage	61%	59%	68%	70%

Note: these figures may change slightly as data cleaning is completed.