Retirement Plan Design Comparison

	Traditional Pension Plan	Cash Balance Plan	Adjustable Pension Plan (with Floor)	Defined Contribution Plan (401k)
Participation	Automatic	Automatic	Automatic	Voluntary
Benefit Design	Usually a set percent of final average wages, or pre-set dollar amounts by wage or job title.	Usually a set account credit, plus a set interest credit on annual balance.	Usually a set percent of wages, averaged over the entire career.	Benefit accrual determined solely by annual contributions and accrued interest.
Contributions	Employer makes all contributions.	Employer makes all contributions.	Employer makes all contributions.	Employees make contributions. Often the employer will match up to a certain level.
Investments	Professional investment manager with fiduciary responsibility to the plan.	Professional investment manager with fiduciary responsibility to the plan.	Professional investment manager with fiduciary responsibility to the plan.	Employee chooses from menu of investment options provided within the plan.
Amount of Money in Retirement	Determined in plan description (based on annual accruals).	Determined in plan description (based on annual accruals and interest credits).	Floor benefit is guaranteed, more money may be accrued based on plan performance.	Determined solely by annual contributions and investment returns.
Benefit Predictability	Benefit is defined in SPD, and is 100% predictable.	Benefit is defined in SPD, and is somewhat predictable.	Floor benefit is 100% predictable; annual benefit may be higher based on plan performance.	No predictability. Account balance in retirement is determined solely by contributions and investment returns.
Benefit Guarantee	Benefits are guaranteed as defined in SPD.	Benefits are guaranteed as defined in SPD.	The floor benefit, and all accrued benefits, are guaranteed.	Benefits are not guaranteed.
Lifetime Income	Monthly income stream is the default. A lump sum option may be available.	Monthly income stream is the default, but most participants take the lump sum.	Monthly income stream is the default. A partial lump sum may be available.	None. In-plan annuities are possible as investment options, but highly uncommon.

	Traditional Pension Plan	Cash Balance Plan	Adjustable Pension Plan (with Floor)	Defined Contribution Plan (401k)
Funding Risk	Employer. If the plan becomes underfunded, employer must make up the difference.	Employer. If the plan becomes underfunded, employer must make up the difference.	Shared. Employers guarantee a minimal floor benefit and must fund up to that level.	Employee. Employer bears no additional cost if account is "underfunded."
Investment Risk	Employer. Pension benefits are guaranteed despite investment performance.	Employer. Accruals and interest credits are guaranteed despite investment performance.	Shared. Employers guarantee a minimal floor benefit, and must make up the difference if returns do not meet this floor.	Employee. If investments perform well, account balance increases; if poorly, balance decreases.
Inflation Risk	Employee, unless COLA is provided.	Employee.	Employee.	Employee.
Longevity Risk	Employer, but may be shared if lump sum option is provided.	Employer, but may be shared if lump sum option is provided.	Shared, as benefit accruals depend partially on longevity factors.	Employee.