Spectrum of pension plan designs

	Defined Contribution	Target Benefit	Defined Benefit
1. What can be negotiated?	Contributions and some investment options	Depends on pension legislation, plan rules, and collective agreement (possible: target benefits, maybe contributions	Depends on pension legislation, plan rules, and collective agreement (possible: contributions, benefits, inflation protection, disability payments, early retirement options etc.)
2. How is the employer's contribution determined?	Fixed at certain level (by legislation, plan rules and or bargaining)	Fixed at certain level (by legislation, plan rules and or bargaining)	As set out in the plan. Actuary calculates employer's contribution, depending on funded status of pension fund.
3. How is the retirement wage determined?	Retirement income is based on the amount of money each plan member has in their individual account. This will vary according to the amount contributed, investment return and the cost of purchasing a monthly retirement income.	Retirement "target" is based on earnings and years of service. "Target" pension is not guaranteed, depends on funded status of the plan.	All plan members are guaranteed a pension wage defined by the same formula. These benefits are generally protected by pension legislation.
4. Who carries the risk?	The risk rests with plan members. The pension is determined by the size of an individual's account, and market conditions when they retire. The employer has no obligation to help members face this very real risk.	The risk rests with plan members. If there isn't enough money in the fund, benefits are reduced.	Many single-employer plans see employers bearing plan risks on paper. Large jointly-sponsored DB plans see risks shared between employers and plan members. Risks are also shared through bargaining in complex ways as pension costs often drive wage discussions.
5. Are additional benefits possible?	At the time of retirement, an individual retiree can purchase additional benefits from the money in their individual account. This will significantly reduce their monthly pension amount.	Only if the plan is fully funded. New benefits can only be added if do-able without raising contributions.	Yes, for example: early retirement benefits, inflation protection, disability benefits and survivor benefits.
6. What about inflation protection?	Buying indexation is very expensive and significantly reduces the monthly pension. Few annuities and monthly pensions bought from a DC plan provide indexation.	This might be a target benefit and would be dependent on whether the plan is funded or not.	Some defined benefit plans provide guaranteed indexation. Others provide "conditional" indexation which is delivered under certain conditions. Others provide "ad hoc" indexation where decisions about indexation are made over the short-term.
7. Who makes decisions about my retirement wages?	Some DC plans have an advisory committee, but their role is limited to monitoring administration of the plan and in some cases, investment advice.	This model is new. Some are jointly trusteed, and some have advisory committees.	Many of CUPE's larger defined benefit plans are jointly trusteed (with 50/50 representation) by employers and participating unions. This ensures that plan members are fully represented in important decisions about the pension plan. In plans which are not jointly trusteed, unions are often on advisory committees. Pension plans are often subject to collective bargaining processes. These structures for "governing" defined benefit plans allow collective decisions about things like improving benefits.