Investment Risk
Decision Grid

		Employer	
		NO	**YES**
Employee	**NO**	Examples: DC plan with only safe investment options DB plan investing only in safe assets	Examples: Typical DB DC plan where pension trust is investment option and investment delivers return = to expected return
	YES	Examples: Typical DC plan DB plan were EE contribution varies with ARC; ER fixed DB plan with benefit adjustment factor tied to investment returns	Examples: DB plan where each party contributes 50% of ARC DC plan where no more than 50% of balance invested in benefit trust Hybrid plan like in OR or GA

Longevity Risk
Decision Grid

<table>
<tr><td colspan="2" rowspan="2"></td><td colspan="2" align="center">Employer</td></tr>
<tr><td align="center">NO</td><td align="center">YES</td></tr>
<tr>
<td rowspan="2">Employee</td>
<td>NO</td>
<td>Examples:

Longevity swaps to hedge systematic longevity risk

Buy annuities from insurance company</td>
<td>Examples:

Typical DB</td>
</tr>
<tr>
<td>YES</td>
<td>Examples:

Typical DC
(employee also bears <u>non</u>-systematic longevity risk)</td>
<td>Examples:

Annuitize through DB plan at retirement (employee bears risk while working; employer bears risk when employee retires)</td>
</tr>
</table>

Inflation Risk
Decision Grid

		Employer	
		NO	YES
Employee	**NO**	Examples: Invest DC assets in TIPS DB: Invest in TIPS and give automatic COLA = CPI	Examples: Typical DB with automatic COLA = to CPI
	YES	Examples: Typical DC DB plan with no COLAs	Examples: DB with ad hoc COLAs