REFERENCE:

OPINION:

This is in response to your request for a response to a letter from Mr. ** of **. Mr **’s question is whether pension plans underwritten by ** and affiliated with the ** are insured by the Pension Benefit Guaranty Corporation under Title IV of the Employee Retirement Income Security Act (the "Act").

In answering this question, we have not contacted the ** directly but our understanding of the plans maintained by that Association is that the ** plan is a money purchase pension plan with a certain portion of the contributions attributable to each participant being allocated to a fund which purchases common stocks in an effort to hedge against inflation. Such a plan, where the participant's employer has made no guarantee as to the amount of pension benefit that will be paid to a participant upon retirement, contains no "defined" or promised benefit but rather depends upon the value of the contributions in each participant's account at retirement to establish the pension benefit available to that participant. Such a plan is an "individual account plan" as described in § 4021(b)(1) of the Act and is, therefore, excluded [*2] from the insurance coverage offered by this Corporation.

We have obtained technical descriptions of ** plans from ** Fundamentals of Private Pensions, published by the Pension Research ** Council, and in our response to you we have relied upon information in ** that work. To the extent that Mr. ** can determine that his particular pension plan differs from the explanation offered above, or in the event that Mr. **’s employer makes contributions and guarantees a certain benefit at retirement, then our interpretation would differ. To the extent that the employer guarantees ** or promises a defined benefit at retirement, Pension Benefit Guaranty ** Corporation termination insurance would apply, assuming the plan were ** otherwise covered under Section 4021 of the Act. We suggest that ** contact his plan administrator and request information ** confirming the nature of the benefits under his plan in relation to the information above.

We trust that this answers the inquiry, and we apologize for the delay in answering.

Henry Rose
General Counsel