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Pension fund switching

A recent trend in pensions is to allow employees a choice between defined benefit and defined contribution plans. In some cases there are possibilities to switch from one to the other. A particular example is the State of Florida, which in 2002 implemented a scheme whereby employees could choose a self managed DC plan, in place of the usual DB plan, but at any time before maturity they could elect to switch back to the DB plan, upon payment of the accrued benefit obligation. We analyze the effect of this provision on the various parties.

This is joint work with Moshe Milevsky.