

Publications

Don't Let Disability Derail Retirement Security

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Prior to the rise to prominence of defined contribution retirement plans, traditional benefit planning focused on the mitigation against risk and the design of benefit programs that worked together as an integrated whole. The programs considered loss of income from retirement, disability and death as well as health care expenses, which in many cases would be catastrophic but for the integrated program. It was common for disability to be recognized through a combination of salary continuation benefits, disability provisions embedded in defined benefit pension plans, waiver of premium provisions in life insurance plans, and at times, continuation of medical benefits to disabled employees. However, with the shift away from defined benefit (DB) plans to defined contribution (DC) plans the disability provisions that protected retirement security have often been lost, significantly increasing the risk that mid- or late-career disability will derail retirement security.

While the problem (and the solutions) might seem straightforward, both DB and DC plans are subject to extensive regulation. The attached article sets forth the conceptual and regulatory issues involved in providing disability benefits embedded within or as an add-on to DC plans in the United States, from an ERISA regulatory standpoint.

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