

Discussion:
How much do Public Employees Value
Defined Benefit versus Defined Contribution
Retirement Benefits?

by Oliver Giesecke and Joshua Rauh

Kathrin Schlafmann

Copenhagen Business School and CEPR

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This paper:

- ▶ survey: under which conditions would employees be happy with hard-freeze
- ▶ link to current DB plans of these employees: compute benefits of hard-freeze for employees

Main Survey Question

If your employer offered to contribute an amount equal to $X\%$ of your income each year into an investment account, would you enroll in this hypothetical plan if it meant you would stop earning additional benefits under your current plan?

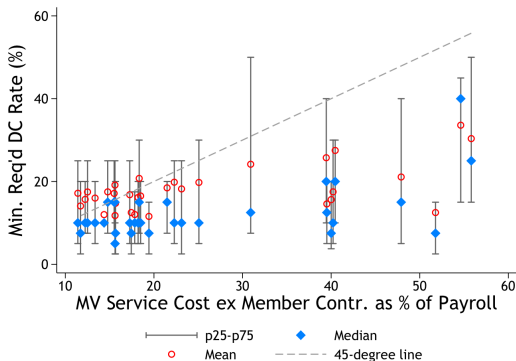
- ▶ result: minimum required DC contribution for employee to switch
- ▶ can be linked to employee's current DB plan

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 - ▶ variation with tenure, plan generosity, stability etc makes sense
2. current service costs for existing DB plans exceed required DC contributions for vast majority of employees:



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- ▶ Authors show that required contribution rates respond to observables
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⇒ Are people responding in the right quantitative amount?

- ▶ Comparison implicitly assumes DB and DC plans are identical, but they are not!

⇒ We shouldn't expect gaps to be zero given differences!

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Summary

- ▶ very interesting paper, very interesting data!
- ▶ shows potential win-win in an otherwise very bad situation
- ▶ main comment:
is it a win-win? Or danger of groups being systematically disadvantaged?