

42 Views | 9 CrossRef citations to date | 0 Altmetric

CORPORATE FINANCE

Replicating Default Risk in a Defined-Benefit Plan

Richard A. Ippolito

Pages 31-40 | Published online: 02 Jan 2019

Cite this article <https://doi.org/10.2469/faj.v58.n6.2484>

Sample our
Tourism, Hospitality and
Events Journals

>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

References Citations Metrics Reprints & Permissions

Read this article

Share

We Care About Your Privacy

We and our 870 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device

I Accept

Reject All

Show Purpose



In addition, the diversification allowed in the DSB plan could be permissible, not mandatory. Thus, workers would not have to diversify up to the maximum allowed by the plan; they could retain the exposure that optimizes the value of the DSB plan within the context of their overall portfolios.

Alternatively, companies could mandate diversification. The company might decide that large losses incurred by some future older workers could impose a kind of externality on the company in the form of adverse publicity. Another reason is that if the company's financial performance deteriorates (but short of bankruptcy) and if older workers remain undiversified, their pensions will fall in value, making them less likely to retire at the very time the company needs to shed workers.

In summary, in an environment in which workers may be rethinking their exposure to their company's financial performance, the value that they attach to the pension plan could importantly depend on the diversification features of the plan. In this sense, the DSB plan provides an ideal hybrid between a classic stock-bonus plan and traditional DB format.

I am indebted to Mitchell Petersen and Jack VanDerhei for helpful discussions.



Relate

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Copyright

Accessib

Registered
5 Howick Pl

or & Francis Group
orma business

