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## *Retirement Policy*

### **Speakers See Need to Simplify Pensions But Spar Over Changing Retirement System**

**P**ension plans need to be simplified, agreed representatives of the pension plan community at a Sept. 20 roundtable discussion before the Senate Health, Education, Labor and Pensions (HELP) Committee.

Committee Chairman Tom Harkin (D-Iowa) said “we won’t do anything this year, but the committee will push ahead aggressively next year to come up with a better retirement system.” The committee is gathering comments and testimony on pension plan proposals and “seeing where the interconnectors and outliers are,” he said.

Harkin held the roundtable to discuss the topic of pension modernization for a 21st century workforce. On July 27, Harkin released a retirement security proposal titled the Universal, Secure and Adaptable (USA) Retirement Funds (145 PBD, 7/30/12; 39 BPR 1437, 7/31/12). This plan would be a hybrid between a defined benefit plan and a tax code Section 401(k) plan, would be portable, and would give no fiduciary responsibility to employers, he said. In addition, the plan would take all the administrative burden off the employers, he said.

During the roundtable, David Madland, director of the American Worker Project at the Center for American Progress, Washington, said Harkin’s plan does a good job of managing the trade-offs of cost, risk, and adequacy, operating like a defined contribution plan for employers and like a defined benefit plan for employees, and significantly reducing cost and risk for employees.

**Three Questions.** Harkin asked three questions of the roundtable participants.

- What should the U.S. pension system look like to meet the challenges of the global economy and the need to provide retirement security for working Americans?

- What would make it easier and more attractive for businesses—especially small businesses—to provide their employers with a traditional pension benefit?

- What do employees need from a pension plan to ensure that they will have a secure retirement?

The roundtable participants all agreed that pension plans need to be simplified and provide adequate retirement security. For example, Aliya Wong, executive di-

rector of retirement policy at the U.S. Chamber of Commerce, Washington, suggested streamlining disclosure and finding ways to encourage employers to give disclosure through electronic delivery.

The roundtable participants also agreed that employees need to be educated to understand and appreciate the value of a lifetime benefit.

**Areas of Policy Disagreement.** However, they did not all agree on whether the system needed to be changed or just fixed. Susan L. Breen-Held, a consulting actuary with Principal Financial Group, Des Moines, Iowa, said the current system is not broken.

“The soundest way to provide good retirement benefits is to strengthen each part of the system,” she said. Also, “we need to give employers more reason to offer a plan,” she said. The decisionmakers “don’t have a lot of skin in the game,” because the compensation limits are so low, she said. Compensation limits should be increased, and to encourage new pension plans, compensation limits should be increased or removed for the first five years after a plan is established, she said.

John Adler, retirement security campaign director for the Service Employees International Union, New York, said he had concerns about increasing compensation limits.

“We don’t need more tax subsidies for the wealthy to save for retirement,” he said.

Karen Friedman, executive vice president and policy director at the Pension Rights Center, Washington, one of the organizations that established the Retirement USA initiative, said Retirement USA has developed 12 principles for a new private retirement system. The three overarching principles are universal coverage, secure retirement, and adequate income, she said. Additional principles include shared responsibility among employers, employees, and the government; required contributions by employers and employees, with the government subsidizing the contributions of lower-income workers; and assets that are pooled and professionally managed, she said.

Richard Hudson, a consulting actuary with Cheiron, said his company has suggested plan design alternatives premised on risk-sharing and is waiting for Internal Revenue Service approval. Until IRS gives its approval, no employer is willing to try a new design, he said. Employers setting up new pension plans should be able to “jump the line” so IRS can look at the plans sooner, he said.

By ANDREA L. BEN-YOSEF