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### ***Pension Reform***

## **Coalition Unveils Principles for Creating A Universal Private Retirement System**

Pension activists are hopeful President Obama will support a bold retirement security initiative, notwithstanding competing economic and political priorities, Karen Ferguson, director of the Washington, D.C., based Pension Rights Center, said at March 10 news briefing.

The Pension Rights Center is part of a coalition represented at the news briefing for the launch of Retirement USA, a long-term initiative to create what coalition members described as a universal, secure, and adequate private retirement system to supplement the Social Security system. The other coalition members are the Economic Policy Institute, National Committee to Preserve Social Security and Medicare, and the Service Employees International Union (SEIU).

Ferguson noted that the president's fiscal 2010 budget proposal includes an expanded Saver's Credit program for low-income workers and automatic enrollment in payroll individual retirement accounts, measures designed to improve the existing retirement system (37 PBD, 2/27/09; 36 BPR 450, 3/3/09). "We're hopeful the president will come out with something a lot bolder," utilizing principles of the Retirement USA initiative, she said.

Those principles, presented by Retirement USA coalition leaders, included required contributions, pooled assets that would be professionally managed, and portable benefits. A panel of coalition members presented those and other principles they said should be the basis of future private pension legislation by combining the best features of defined benefit and defined contribution plans.

### **New Plan Design**

Having an adequate private retirement system that supplements rather than expands the Social Security system is necessary given the tradition of employee-sponsored retirement plans in the United States, said Barbara Kennelly, a former congresswoman who now is president and chief executive officer of the National Committee to Preserve Social Security and Medicare. Designing a new private retirement system is immensely difficult, Kennelly said.

Current private retirement plans are not universal, are not secure, and are inadequate, according to the coalition. It said half of all employees with tax code Section 401(k) plan investments had less than \$25,000 in their accounts before the stock market meltdown. Half of people age 65 and older are barely getting by on income of less than \$17,382 a year, it added.

Ferguson described the lack of retirement security as "a quiet but very real crisis." The current system of private pensions, Section 401(k) plans, and Social Security "has done well by many people but it is failing millions of others," she said.

Steve Abrecht, director of benefits and capital stewardship at SEIU, said creating a viable private retirement system is within reach. "This is about political will and some degree of technical innovation," he said.

### **Tax Subsidies**

Coalition member Ross Eisenbrey, vice president of the Economic Policy Institute, said employers' shift to Section 401(k) plans away from traditional defined benefit pension plans has been a boon for financial services companies and for highly compensated employees who can shelter substantial amounts of income from taxation. Eisenbrey said 70 percent of the tax breaks for retirement saving go to only 20 percent of households. In 2007, the tax subsidy for retirement saving was \$114 billion, he said. "The tax incentives are completely upside down."

Maria Freese, director of government relations and policy for the National Committee to Preserve Social Security and Medicare, said coverage rates under the current system of employer-based retirement plans have remained stagnant for years. "One of its greatest shortcomings is lack of universal coverage," she said.

### **Present and Future Models**

The Retirement USA coalition studied a variety of existing and proposed retirement plans in the United States

and in other countries to derive principles for a new retirement system, said Norman Stein, professor of benefits and tax law at the University of Alabama and consultant to the Pension Rights Center. Those plans included the Australian Superannuation System, the collective defined contribution plans in the Netherlands, the Economic Policy Institute's Guaranteed Retirement Account proposal, and the ERISA Industry Committee's proposed Guaranteed Benefit Plan. The Retirement USA initiative has not endorsed any particular model.

Stein said good retirement plans exist already and the Retirement USA initiative is an effort to build on those successes. "We don't want the good plans to go away," he said.

About \$9 trillion is invested in today's private retirement system, which is the foundation on which a universal, secure, and adequate retirement system could be built, Ferguson said.

She said the Retirement USA coalition will hold a conference in the fall to coincide with the 35th anniversary of the Employee Retirement Income Security Act of 1974.

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*More information is at <http://www.retirement-usa.org>.*

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