The Death of Private-Sector Defined Benefit Promises?

How Policymakers May React

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James A. Klein
President
American Benefits Council
“Congress does not act. It reacts.”

-- Unknown
How Policymakers May React

- To what are they reacting?
  - Terminations?
  - Freezing of accruals?
  - Continuation of trends: tipping point?
  - Dramatic change in trends?
  - Major event(s) (e.g., a few large underfunded terminations landing at PBGC)?

- The past is prologue
“A fanatic is one who can’t change his mind and won’t change the subject.”

-- Winston Churchill
How Policymakers May React

* Each interest group (and their policymaker allies) will cite the demise of DB plans as support for its point of view
  - **Business:** Over-regulation, uncertainty
  - **Retiree Advocates/Labor:** Abdication of employer responsibility
  - **Academicians:** Rise in DC plans evidences individual empowerment

* Why the facts matter
“I am not a vegetarian because I love animals. I am a vegetarian because I hate plants.”

-- A. Whitney Brown
How Policymakers May React

- Romanticized vision of DB plans
- What won’t likely be acknowledged
  - Demise of DB plans just one manifestation of changing employer/employee relationship
    - Hybrid plans
  - Impact of health care costs on pension plan sponsorship
“If ‘Pro’ is the opposite of ‘Con’ then the opposite of ‘Progress’ is ‘Congress’.”

-- Unknown
How Policymakers May React

- Creation of new plan designs
- Tax expenditure not likely to be vulnerable, despite deficits
  - Retirement policy is politically charged
  - As Boomers become retirees, revenue loss won’t be as prominent
- Sharpen the debate over Social Security private accounts
“I never said most of the things I said.”

-- Yogi Berra