

Statement of
The American Savings Education Council
before
The House Education and Workforce Subcommittee
on Employee - Employer Relations
of
The House of Representatives
Congress of The United States
on
Employee Education and Retirement Income Security

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Mr. Chairman, and Members of the Committee, I am Donald H. Sauvigne, Program Director of Retirement and Capital Accumulation Programs for the IBM Corporation.

I am appearing here today on behalf of the American Savings Education Council (ASEC). ASEC was founded in the fall of 1995 following the launch of the Retirement Savings Education Campaign of the Department of Labor as announced by the Secretaries of Labor and the Treasury. ASEC is a coalition of more than 200 private and public sector partners dedicated to raising public awareness about what is needed to ensure long-term personal financial independence. ASEC's goal is to make saving and planning for retirement, and life, a vital concern of Americans and in the economic interest of employers. ASEC, part of the Employee Benefit Research Institute Education and Research Fund, is a nonpartisan organization that does not lobby or take positions on public policy legislation.

I am also here as a founding partner of the Council and on behalf of ASEC's sponsors to briefly review IBM's activities and objectives in assisting our employees in understanding the importance of career-long planning for their post employment financial security. It is our goal that judicious benefit plans and continual education will play a major role in securing our employees' financial success. Although saving is occurring among our nation's workers, few would argue it is enough. What is currently missing is saving based upon a calculated goal and a plan to reach that goal. The next frontier demands we move beyond creating savers to creating planners that then save.

The delivery of benefit plans, capital accumulation programs and the financial support of these programs is, of course, predicated on the continual success and profitability of the employing enterprise. Corporate success in a global marketplace requires continual adaptation to the changes around us as does our approach to the employment relationship. In the delivery of

the values embedded in the employment relationship, all employers, large and small, must account for the dramatic changes in the composition of the workforce, the demographic changes and labor costs. In this changing environment, a newly defined partnership of shared responsibility is evolving between employers and employees. The era of paternalism is past....the demands of a partnership are present. IBM has lived and learned this reality.

IBM is a global company in the business of providing advanced information services, products, technologies and solutions to its customers worldwide. At year-end 1996, IBM employed more than 110,000 employees in the United States, and contributed social security payroll taxes in excess of ½ billion dollars. In addition, IBM funds, provides, and/or provides access to, a broad array of competitive compensation and benefit programs to a population including employees, retirees and other beneficiaries that exceeds 300,000 citizens.

Today, our plans remain as leadership programs, but they have been redesigned to support corporate competitiveness and profitability, and support employee ownership and responsibility for their own future financial security needs. I believe we are in the midst of a story of success in that regard. I'd like to review that with you and demonstrate how continual and targeted education can have very measurable effects.

In 1991, IBM began a deliberative program to both revise and introduce new programs and establish a new strategic resource direction for the company and its employees. This action was based on the need to change employee behavior about retirement income planning, increase employees' financial involvement in the process, and more effectively use retirement fund assets. And indeed, over the last few years, we have continued to amend our plans to respond to these needs. A recent major change occurred in 1995. We generally reduced the value of our defined benefit plan...yet, reaffirmed its role as our base foundation retirement vehicle. Correspondingly,