FINAL REPORT

Saving for Your Golden Years:
Trends, Challenges and Opportunities

March 1-2, 2006

The Willard Intercontinental Washington

Washington, D.C.

SAVER

The 2006 National Summit on Retirement Savings

This publication is available on the Internet at: **www.saversummit.dol.gov**

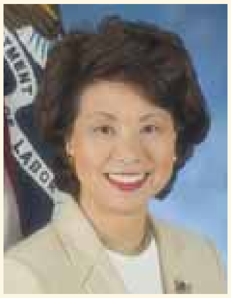
For a complete list of publications available from the Employee Benefits Security Administration, call toll free 1 (866) 444-3272.

This material will be made available in alternative format upon request.

Voice phone: (202) 693-8664/TTY: (202) 501-3911

This booklet contains a small entity compliance guide for purposes of the Small Business Regulatory Enforcement Act of 1996.

SECRETARY OF LABOR
WASHINGTON, D.C.



I submit to you this report on the 2006 National Summit on Retirement Savings, held on March 1-2, 2006, in Washington, D.C. The Summit successfully promoted the importance for every American of saving for the future.

The Summit brought together more than 200 statutory and appointed delegates as a nonpartisan group with diverse expertise. The delegates represented state and local governments, professionals working in the fields of employee benefits and retirement savings, private sector institutions, employers, the general public and members of Congress. The goal of the Summit was to explore ways to help all Americans retire with security and dignity.

Under the theme "Saving for Your Golden Years: Trends, Challenges and Opportunities," the Summit sought to educate and motivate people to develop their own personal retirement saving strategies. Delegates participated in breakout sessions focusing on four specific targeted groups: Low-Income Workers, Small-Business Employees, New Entrants to the Work-force and Workers Nearing Retirement. The delegates developed important recommendations to help individuals in each of these groups overcome obstacles and take advantage of opportunities to save for their futures.

It is now a challenge to all of us to keep the work of the Summit moving forward, and help Americans save more for themselves and their families. I hope the Summit report provides you with another tool to continue the important task of informing the public and encouraging them to save. I look forward to continuing to work with you on these critical issues.

Sincerely,

E. L. Chao

Elaine L. Chao

Contents

SECTION 1

The 2006 SAVER Summit Challenge

In 1997, Congress enacted the Savings Are Vital to Everyone's Retirement Act (SAVER Act) to heighten the public's awareness and understanding of the importance of retirement savings. The act mandates that the Secretary of Labor maintain a public outreach program and conduct three bipartisan national retirement savings summits. This report highlights the work of the final Summit, held in Washington, D.C., March 1 and 2, 2006, at the Willard Intercontinental.

The U.S. Department of Labor contracted with the International Foundation of Employee Benefit Plans (International Foundation) in preparing for the Summit. The International Foundation assisted the Department of Labor in developing the vision and agenda (see Appendix A) for the Summit and in handling the logistics that kept the Summit running smoothly. The International Foundation cultivated the support of many private sponsors (see Appendix D) whose generosity helped enhance the Summit experience for all delegates.

Approximately 200 statutory and appointed delegates (see Appendix C) participated, including members of Congress and executive branch officials. Appointed delegates included representatives of state and local governments, professionals working in the fields of employee benefits and retirement savings, employers, unions, and other private sector institutions.

The Common Goal

Summit delegates came together to achieve a common goal: to help all Americans become better able to retire with dignity and security. To reach this goal, the Summit focused on developing strategies and programs to prompt Americans to think about long-term retirement and the critical importance of retirement savings to their future well-being; to inspire them to commit to personal retirement savings strategies; and to facilitate the accumulation of savings for retirement. Delegates sought to devise concrete recommendations to improve both employer-based pensions and individual retirement savings plans, to help Americans take advantage of existing savings opportunities, and to create new opportunities to help Americans meet the challenges of saving for retirement.

Today's workers have more responsibility to fund their own retirements than workers have had in recent generations. Unfortunately, despite this reality, many Americans are consuming more, saving less, and accumulating more and more debt. Caught up in the immediate demands of day-to-day spending, we have lost sight of the fact that planning for a successful retirement tomorrow requires making savings a priority today.

To develop messages and strategies that can help all Americans, the 2006 Summit concentrated on four groups of American workers who face unique challenges in saving for retirement. These groups are:

- ✦ Low-Income Workers
- ✦ Small-Business Employees
- ✦ New Entrants to the Workforce
- ✦ Workers Nearing Retirement

By concentrating on reaching these workers and helping them to save for retirement, the delegates hoped to develop strategies that would offer inspiration and assistance to all Americans in reaching their retirement goals. By making retirement savings a priority today, Americans can and will have a brighter and more prosperous tomorrow.

SECTION 2

The State of Retirement Savings

U.S. **Secretary of Labor Elaine L. Chao** opened the 2006 SAVER Summit by welcoming the delegates and thanking them for investing their time and energy to address the vital issue of retirement security. Secretary Chao pointed out that the nation is on the verge of a tremendous demographic shift, as the first of 78 million baby boomers turn 60 in 2006. She warned that despite the overall strength of the U.S. economy, many Americans are not prepared for retirement: less than half have even calculated how much retirement savings they will need.

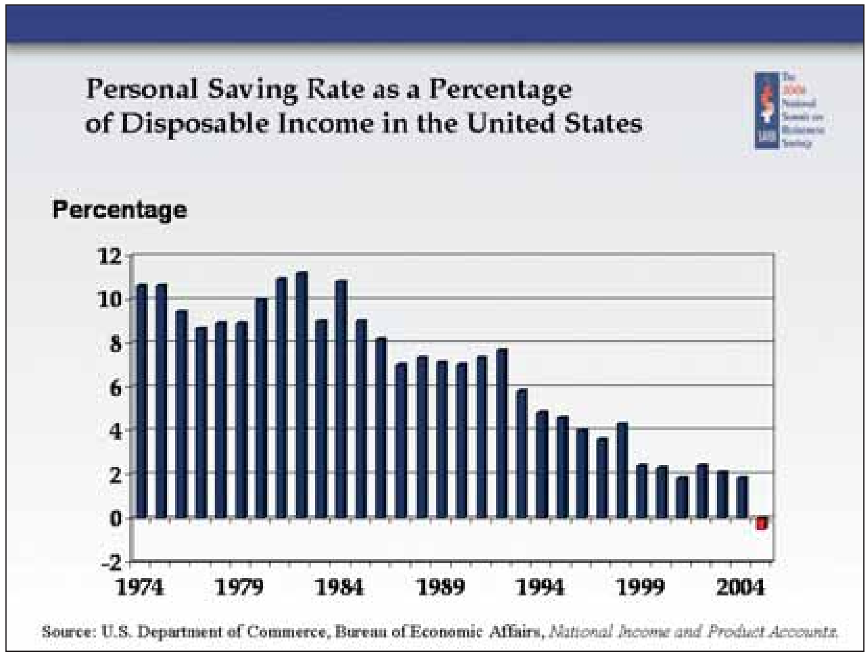
Secretary Chao described some of the challenges faced by the four demographic groups targeted by the 2006 SAVER Summit. *New entrants* to the workforce hardly think about retirement because it seems so far away. In addition, the average worker between ages 18 and 38 will have 10 jobs before retiring—and only 43% of workers who change jobs preserve their employment-based retirement savings by rolling it over into an IRA or their new employer's retirement plan. *Low income workers* find it challenging to balance spending for today's needs with saving for tomorrow. *Small business owners*, responsible for the creation of 70% of new jobs in recent years, may perceive retirement plans to be too costly and complex, as about 80% of small businesses do not offer any type of retirement plan for their employees. Finally, *workers nearing retirement* have fewer options and little time to correct their course if they discover they have not saved enough to provide them with a secure retirement.

Secretary Chao noted that those who do not start saving early for retirement miss out on their greatest ally in achieving retirement security: time. For every 10 years a worker puts off saving for retirement, he or she will need to save three times as much each month to catch up. Secretary Chao maintained that even small sums set aside for retirement can make a difference: $100 saved at age 20 can grow to more than $1,900 by age 65.

In closing, Secretary Chao noted that saving takes time, dedication, and planning. "Americans can look forward to longer, healthier, and more productive lives," the Secretary said, "and building a diverse savings portfolio is the best way to ensure that individuals have lasting independence."

Sylvester J. Schieber, VP and U.S. Director of Benefits Counseling, Watson Wyatt Worldwide, provided a brief review of the 1998 and 2002 Summits for the 2006 delegates. The 1998 Summit focused on identifying barriers to retirement savings and concluded that Americans must save more if they are to realize income security in retirement. The second Summit, in 2002, focused on generational issues and on how to engage different generations of Americans to participate in securing retirement savings and income at the level needed to meet their retirement consumption needs. President Bush, in his address to the 2002 Summit, concluded that, "Americans are saving too little, especially women and minorities."

Schieber then gave a brief overview of the state of retirement savings in the United States today. "What makes the Golden Years golden?" he asked. His answer: adequate retirement savings and income. Most experts agree that in order to maintain a similar standard of living in retirement, households need replacement income at a rate of 70-85% of pre-retirement income. Social Security, however, provides only a portion of this replacement income: 50% or more for those earning less than $25,000 at retirement and 25% or less for those earning more than $100,000. The gap between Social Security and the replacement rate needs to be filled by the individual worker's savings and investment, by employer-sponsored retirement programs, or by a combination of the two. Given our nation's demographics, Schieber said, about 9% of national income should be saved solely for retirement.



The nation currently has a record $11.5 trillion in assets in the individual and employment-based retirement system. Schieber insisted, however, that we should be adding to those assets. He contended that right now, we as a nation ought to be at our peak of savings. Yet in 2005, the national savings rate fell below zero—meaning that we spent more than we earned for the first time since the heart of the Great Depression in 1933. This negative savings rate represents a substantial drop from the 8.7% of income saved in 1992.

Future retirement security depends on savings, which have become increasingly important in recent decades. The retirement system now puts more of the burden of retirement savings directly on the backs of workers. Heightened individual responsibility has been successful in some ways: assets in 401(k)s will soon exceed those in the Social Security trust fund. But it has been unsuccessful in others: Americans are not saving enough to meet this responsibility.

In part due to the continuing shift from defined benefit (DB) to defined contribution (DC) retirement plans, younger workers are not participating in the pension system today to the extent that older workers are. This represents an enormous lost opportunity, since saving during the first decade of work is critical to maximizing the power of compound interest to build up retirement savings. A worker earning $35,000 who begins saving at age 30, for example, may find that a 5% deferral will be enough to meet her retirement goal. If the same worker waits until age 40, however, she will need to set aside 15%; and if she delays until age 50, she will find it nearly impossible to save enough to meet a reasonable retirement goal.

Schieber warned that low-income workers—those most dependent on Social Security as a source of retirement income—would be hit hardest if the threatened insolvency of the Social Security system forced cuts in benefits. The Health in Retirement Study conducted by the National Institute of Aging found that retirees in the lowest 10th percentile of income depend on Social Security income to meet 94% of their day-to-day spending needs. A cut of 25% in benefits would thus mean the loss of more than 20% of their spending power (while those in the highest percentile would only lose 2.5% of their spending dollars).

Reiterating the importance of saving, Schieber urged the delegates to find effective solutions for the following challenges that face the four groups of workers targeted by the 2006 Summit:

1. How can we create more retirement saving opportunities for low-wage workers?
2. How can we offer opportunities to small-business employees? What can we do to make retirement plans viable for small employers to offer to their workers?
3. How can we get young people saving sooner? How can we get them committed to participating in the system?
4. How can we facilitate extended working opportunities to those nearing retirement age?

Schieber closed with the suggestion that another major challenge in achieving retirement security for future generations of retirees involves changing the culture. Every day, Americans receive messages suggesting that "shopping is therapy" or that "we can save by spending more on our credit card." He urged the Summit to send out a new message that rather than spending so much, all of us ought to be saving.

Following his closing, Scheiber introduced a video produced for the Summit that depicted members of each of the four groups that were the subjects of the breakout groups. The video helped to personalize the issues facing these groups for the delegates; illustrating the thoughts, attitudes and hopes these groups have toward retirement savings as well as the challenges they encounter in saving. This video may be accessed at www.saversumit.dol.gov.

SECTION 3

Plenary Sessions

The Summit's plenary sessions featured a number of distinguished speakers, including Vice President of the United States Richard B. Cheney; economist, author, and comedian Ben Stein, U.S. Senate Finance Committee Chairman Charles Grassley; U.S. House of Representatives Financial Services Committee Chairman Michael Oxley; U.S. Senate Special Committee on Aging Chairman Gordon Smith; and former U.S. Secretary of Commerce Donald L. Evans.

Vice President Richard B. Cheney described retirement as a period of tremendous activity and vigor. "We want to make sure," he vowed, "that as many citizens as possible enjoy independence and financial security in their retirement years with personal savings and a nest egg to call their own, a retirement safety net that never breaks down, and reliable pension plans."

The Vice President spoke of the importance of building an ownership society where every citizen has the opportunity to own a home, a small business, a healthcare plan, and a retirement plan, and to achieve the American dream. Both ownership and the American dream, he said, begin with saving money. To help, the President has proposed the creation of three simplified savings accounts: simplified retirement savings accounts; simplified employment-based retirement savings accounts; and tax-free lifetime savings accounts for any purpose (job training, college tuition, a house, a car, or retirement).

Vice President Cheney suggested legislation to improve the portability of Health Savings Accounts and raise their expenditure limits, and to subsidize HSAs for low-income workers. He also recommended the creation of a bipartisan commission to study the future impacts of baby boomer retirement on Social Security, Medicare, and Medicaid. Finally, he urged Congress to adopt a pension-reform bill that would mandate pension audits and require employers to catch up on underfunded pensions and keep their promises to their employees.

"If we choose wisely," the Vice President told the delegates, "we can have a positive impact on the lives of Americans for many decades to come, helping millions of seniors today and tomorrow find the dignity, the security, and the peace of mind they deserve."

Economist and humorist **Ben Stein** set out to answer the question, "Why won't the baby boomers save?" According to Stein, the average baby boomer needs to save about $400,000 to have sufficient interest income to make up the difference between Social Security and what he or she needs for retirement. Yet the average baby boomer has saved only $50,000—or $110,000 if you include equity in their homes. He called this a crisis in the making.

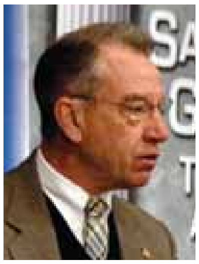
Humorously exploring the question of how we got to this point, Stein suggested a number of possible causes. First, he suggested, baby boomers have "always had it too good." Never having lived through economic hard times, they lack the discipline to save. He also proposed a Freudian explanation: the false sense that mommy and daddy—or the government—will always bail them out if they get in trouble. A third possibility drew on the theories of behavioral psychologist B.F. Skinner: saving offers no immediate gratification, while spending provides immediate positive reinforcement such as a flat-panel plasma TV set or a new car. The final theory suggested that baby boomers felt compelled "to obey the media consumer spending machine."

Whatever the cause, Stein concluded, many baby boomers in retirement will have to cut their standard of living drastically, while others will simply run out of money. The baby boomers may actually have saved more than the previous generation of Americans, but because fewer of them have DB pension plans, they are worse off.

What should we do about this crisis? Stein recommended shock therapy: waking people up, educating them, scaring them with images of what life is like for people who are old and poor.

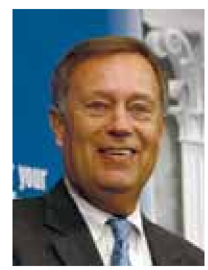
Stein ended his speech with a call to action. "If we do it right, if we educate ourselves, if we change the laws to favor saving and lifetime income, if we organize ourselves and make a plan, execute on the plan, we can help this country to enjoy one of FDR's four freedoms, a glorious, glorious freedom: freedom from fear."

Senator Charles Grassley, Chairman of the Senate Finance Committee, reminded delegates of the old saying, "A penny saved is a penny earned." Contending that Americans seem to have



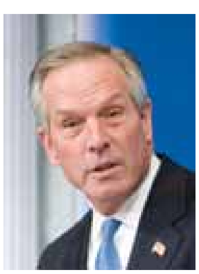
forgotten that wisdom, Grassley emphasized the need to build a Savers' society to "help ensure that all Americans have the opportunity for a financially secure future." Recognizing that more and more Americans will rely on 401(k) plans for retirement income, Grassley advocated the incorporation of certain features (automatic enrollment, professional investment management, etc.) of traditional defined benefit pensions into 401(k) plans. He also urged delegates to focus attention on how to distribute retirement plan assets in a way that ensures they last a lifetime and emphasized the need to find ways to allow retirees to continue working if they wish. Finally, Chairman Grassley spoke passionately about the need for defined benefit pension reform, calling on his colleagues to pass comprehensive reform legislation quickly.

Representative Michael Oxley, Chairman of the House Financial Services Committee, informed the delegates that recently passed legislation modernizing the deposit insurance system had increased the deposit insurance limit on certain retirement accounts from $100,000 to $250,000 and indexed that limit to inflation. Oxley said that Americans have the information, education, and tools they need to plan a secure future, and he encouraged " . . . savers and investors to take advantage of all that is available to them, and take charge of their own futures."



Senator Gordon Smith, Chairman of the Senate Special Committee on Aging, warned delegates that entitlement programs (Social Security, Medicare, and Medicaid), which once represented just 25% of the federal budget, will within two or three decades represent—along with interest on the national debt—the entire federal budget if current trends continue. Smith told the delegates that he and Senator Kent Conrad were proposing a bipartisan retirement security bill that would make enrollment in an employer's 401(k) automatic, extend the Savers' Tax Credit to 2010, allow the transfer of Health Savings Accounts or Healthflex funds into a retirement account, allow direct deposit of tax refunds into an IRA, provide tax incentives for life annuities, and make pension provisions permanent.

Don Evans, CEO of the Financial Services Forum and former U.S. Secretary of Commerce, said that government was not doing enough to strengthen and improve important retirement programs for seniors and future seniors—but that younger



Americans were not doing enough to help themselves for tomorrow by saving more. "Providing for a secure retirement," Evans insisted, "requires a lifetime commitment to savings and investment." Americans need not only to save more, he said, but to save smarter: investing and putting money to work. The S&P 500, he pointed out, had increased an average of 12% a year over the last 80 years. A well-diversified investment portfolio, Evans said, offers a powerful tool toward retirement security. He urged the expansion of ownership of financial assets among all Americans and stressed the need for greater financial literacy. Evans closed with the promise that if we plan and work together, we can meet the challenges our retirement system currently faces.

SECTION 4

Overview of the Breakout Sessions

For the breakout sessions, delegates were divided into four teams, each devoted to helping a targeted segment of the workforce meet the unique challenges it faces in saving for retirement. Again, the four targeted groups of American workers were: *Low Income Workers*; *Small Business Employees*; *New Entrants to the Workforce*; and *Workers Nearing Retirement*.

Each team heard an initial briefing by a retirement benefits expert who examined the state of savings among their targeted group and described the obstacles that made it more difficult for individual members of that group to save. One or two guest speakers then addressed each team, describing model programs that had succeeded both in reaching out to targeted workers and in motivating and/or facilitating their efforts to save for retirement.

The teams in the breakout sessions then broke into smaller subgroups, each charged with creating one or more action plans that would serve the targeted population. Each action plan would aim to accomplish one of two goals:

- ✦ To help raise actionable awareness of the vital importance of retirement planning among their targeted population—knowledge that would inspire and motivate individual workers to save or to save more
- ✦ To offer new programs, policy suggestions, new products, or other means that would better enable their targeted population to save adequately for retirement

In focusing on reaching out to these segments of the workforce, the aim was to develop a broader message of the value of retirement savings that would reach and inspire all Americans.

The subgroups often organized themselves around common themes. Some delegates wanted to talk about educational and communication issues and work on developing outreach programs. Some preferred to talk about reforming regulations or policy in ways that would help spur retirement savings. Others wanted to discuss the development of new financial products or retirement plans that would better serve their targeted population.

Out of these discussions, concrete action plans—presented in the following four sections of this report—were developed. In addition, some common themes emerged from all of the teamwork. These common themes included:

- ✦ The need to improve financial literacy and awareness of retirement income needs through such vehicles as annual Social Security statements, websites, public service announcements, and onsite financial advisors
- ✦ The need to improve access to retirement plans, especially employment-based plans, which were regarded as the most efficient means of increasing enrollment, participation, salary deferral rates, and overall savings
- ✦ The need to provide more effective incentives to low-income workers, new entrants to the workforce, and small-business employers
- ✦ The need to explore alternatives to full retirement
- ✦ The need for regulatory reform and product innovation that reflects the continuing shift from Defined Benefit (DB) to Defined Contribution (DC) plans

Each team came up with a substantial number of creative, innovative solutions to the challenges faced by their targeted group of workers. It is important to note that the proposals described in this report were developed by the delegates and do not necessarily reflect the policies of the Secretary of Labor.

SECTION 5

Low-Income Workers

Dr. Kirk Johnson, Senior Policy Analyst at the Heritage Foundation's Center for Data Analysis, opened the group discussion with an overview of the challenges confronted by low-income workers in saving toward retirement. Low-income workers, often living paycheck to paycheck, find it difficult to save at all. A majority do not own their own homes and in general they tend to amass more debt. In addition, low-income workers tend to have less financial literacy than people with higher incomes.

Low-income workers have less access than other workers to workplace retirement programs, and even when they have access, fewer low-income workers participate. The fact that low-income workers change jobs more often than those with higher incomes makes it more difficult for them to qualify for employer-sponsored plans—and more inclined to cash out any plan they might have when they leave a job.

Johnson noted that certain policies also serve as disincentives to save—or incentives to cash in savings—among low-income workers. Asset tests that determine eligibility for food stamps, Medicaid, TANF, and other welfare benefits, for example, include Individual Retirement Accounts (IRAs), Keoghs, and Simplified Employee Pensions (SEPs) in their accounting of a worker's resources. Furthermore, the Savers' Tax Credit provides little incentive for low-income workers since many have little or no tax liability and the credit is not refundable.

Johnson noted that a number of promising programs have demonstrated the ability and inclination of lower-income workers to save when offered the right motivation or incentives. For example, Johnson pointed to a Phoenix financial education program for low-income residents linked to the opening of free savings accounts for participants. The program's classes were at full capacity.

Steven Dow, Executive Director of the Community Action Project (CAP) of Tulsa County, Oklahoma, then spoke about his organization's model program for low-income workers. CAP offers low-income residents of Tulsa the opportunity to build assets in Individual Development Accounts (IDAs). The Tulsa IDAs operate under three guiding principles: matching participants' savings to some extent, providing financial education to savers, and restricting use of the accumulated assets. Unlike many IDAs, which restrict use solely to home ownership, small-business development, or education, Tulsa also added retirement accounts—which became the choice of 21% of participants. The program—aimed at getting people to invest, at least in a savings account, toward a specific goal—has demonstrated that when given the opportunity, the proper support, and the proper incentives, low-income workers can and will save. In addition, the level of debt did not rise for most participants, who instead changed their spending priorities. CAP gave participants a sense of responsibility, dignity, and self-worth, which further motivated their desire to save for the future.

Proposed Programs

The breakout group addressing the challenges facing low-income workers in saving toward retirement came up with a number of innovative suggestions for action programs that might help increase the financial literacy of, and encourage retirement savings among, this segment of the population. Essential elements of the proposed programs included financial education, changes in policy, and the creation of new savings vehicles. A brief description that highlights the main ideas of each action plan developed by the subgroups of this breakout group follows below.

- **Financial Initiative for Tomorrow (FIT):** The objective of this ongoing education program would be to make the message of the value of retirement savings and personal responsibility so pervasive—like campaigns to wear seatbelts or stop smoking—that people cannot help but hear it. Elements of the program would include a national curriculum for all schools and colleges, as well as adult education and public service ads.
- **PEBS Plus:** To build actionable awareness and increase participation in retirement plans, this program would use the annual Personal Earnings Benefit Statement, which every American worker already receives from the Social Security Administration, to provide income analysis reflecting the gap between projected Social Security income in retirement and assets needed to meet adequate replacement income levels. It could also establish monthly savings goals to close this gap. A public service ad campaign that stresses "Buying Retirement" would reinforce the message.
- **National Retirement Savings Day:** This program would aim to increase awareness of the importance of retirement savings and stress individual responsibility by putting the full weight of federal, state, and local government behind a focused message. The message would be delivered through the President, governors, CEOs and business owners, and public service ad campaigns.
- **Ask Those Who Know:** This proposal rests on the simple premise that low-income workers know best what would motivate them and help them to save for their retirement. The program would conduct workshops that directly involve low-income workers in discussions of how to enhance their own retirement security.
- **Enhanced Savers' Credit:** This program would extend the life of the current Savers' Tax Credit and make it refundable to workers who do not earn enough to owe income tax—thereby providing tax parity with those whose contributions are deducted prior to taxes, as well as an effective incentive for low-income workers to contribute (or increase contributions) to retirement savings plans. Other suggestions to strengthen the Savers' Credit include indexing it to inflation, raising eligibility limits, smoothing break points, making the credit apply to individuals rather than families, and converting the credit to a matching payment (50% with a $2,000 limit) deposited directly into the taxpayer's retirement account.

- **Desist with Disincentives to Retirement Savings and Exempt Retirement Accounts from Asset Tests for Means-Tested Programs:** Both of these programs aim to encourage savings among low-income workers by allowing those who have saved to remain eligible for food stamps and other welfare benefits, if needed. Both programs would exempt retirement savings accounts from asset tests for food stamps, SSI, and other welfare benefits, which would bring defined contribution plans in line with defined benefit plans, which are already exempt. This would allow the accumulation and growth of savings in qualified retirement savings accounts by low-income workers without penalty.
- **The Automatic IRA:** This initiative would expand participation among low-income workers by requiring businesses with more than 9 employees that do not already sponsor retirement plans to institute a payroll-deduction plan that puts money in employees' IRAs in return for a temporary business tax credit. Employees would either have to indicate their choice of plan in writing or choose to opt out if they do not want to participate. Employees would also have the option of making IRA deposits by splitting tax refunds. A pooled IRA or asset-allocated collective investment managed by private firms under government contract would help manage the investments of workers with little financial knowledge. This program would protect employers from both implementation costs and fiduciary liability and would not require matching contributions.

- **Joint Retirement Accounts (JRAs):** These would require married workers who want to contribute to their pension or roll over their pension into an IRA to put the money in a JRA—a jointly owned account that requires joint signatures on any distributions and, upon death, automatically goes to the surviving spouse. In case of divorce, the account would be divided equally unless the couple specifies otherwise. This program would extend principles of defined benefit plans, which recognize marriage as an economic partnership and provide spousal protections, to IRAs and 401(k)s.
- **Universal Kids' Accounts:** This program would use government-funded starter deposits to establish savings accounts with Roth IRA tax treatment for all children at birth. The program would provide a government match for deposits on behalf of low-income children. Withdrawals would be allowed only for post-secondary education, purchase of a first home, or retirement.
- **Social Security Works:** This program would educate workers about the positive attributes of Social Security's defined benefit structure as a base for retirement savings.
- **The Effective 401(k) Safe Harbor:** Since safe harbors that require matching contributions may discourage some employers from offering retirement plans or encouraging plan participation, this program would involve redesigning safe harbor 401(k) plans. Unless the employer has a defined benefit plan, the redesign would require direct minimum employee

contributions without requiring employer matching. In addition, employers would be required to provide educational programs on the value of savings and plan participation.

✦ **Retirement Savings Structural Simplification:** To reduce the complexity of current retirement savings plans, this program would aim to make it easy for employers to offer retirement plans and hard for employees *not* to save. Simplification would involve aligning the various retirement plans that already exist so that they fit together. Among the recommendations offered were making the Savers' tax credit permanent, offering incentives to make lower-income savings a goal for the financial industry, automatic enrollment of all employees upon hiring, and reducing employer costs by facilitating "pooling" into larger programs.

✦ **Aligning Plan Sponsors and Providers with the Needs of Low-Income Workers:** This program would encourage and reward those who improve the access of low-income workers to retirement plans. It would include tax breaks or Community Reinvestment Act credits for employers and providers who enroll low-income participants, sponsor mandatory enrollment meetings, or make matching contributions to low-income workers' defined contribution plans. IRA providers who exclude low-income workers might be subject to penalties.

✦ **Universal Employer Retirement Plan:** This program would create an intermediary multi-employer retirement savings clearinghouse to receive retirement investments from employers. Such a clearinghouse would encourage employers to provide access to low-income workers, assist workers with multiple employers to coordinate a retirement savings plan with contributions from each employer, and encourage those who change jobs to roll over assets and continue retirement planning.

✦ **LIFE: Lifetime Income for Everyone:** This program recommends taxing lifetime annuity and pension distributions at the capital gains rate in order to encourage savers to purchase an annuity from their 401(k), thus ensuring lifetime income, rather than taking a lump sum at retirement. Those who proposed this program suggested that further incentives might be needed for people already in the 0% tax bracket and for married couples to encourage the choice of a joint and survivor pension.

SECTION 6

Small-Business Employees

Renee V. Schaaf, Vice President of Retirement and Investor Services of the Principal Financial Group, began the group session by outlining some of the challenges and obstacles that employees of small companies face as they attempt to save for their retirement. Schaaf noted that most American businesses are small businesses, with 98% having fewer than 100 employees and 61% having fewer than five. Yet small companies are less likely to offer retirement plans to their employees: under one-third do so. Small-business owners cite several reasons for not providing employment-based retirement plans, including uncertainty about revenues, the cost of retirement plans, the complex fiduciary role involved, and the perception that their employees don't value retirement plans.

Schaaf argued that because most small-business owners were not familiar with available retirement plans, most of these reasons were inaccurate. The cost of plans, for example, though about 33% more expensive per participant than those sponsored by larger firms, is still affordable—and in 2001 the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) established tax incentives for small businesses that start retirement plans. The administration of plans, simplified by EGTRRA, continues to get easier. She also cited two statistics that demonstrated that small-business employees do value retirement plans. Sixty-two percent of employees say they work where they do because of their employer's benefits package. And when offered employment-based retirement plans, 85% of eligible small-business employees participate in them.

Statistically, small-business employees tend to be younger, less educated, and less financially literate than employees of larger firms. They more often work part-time, which sometimes makes them ineligible for employment-based retirement plans. For their part, small businesses that offer retirement plans tend to require longer job tenure before their employees become eligible to participate, and they are less likely to offer matching funds for a defined contribution plan.

Schaaf then detailed some of the characteristics of programs that successfully engage small-business owners and employees. Employers that offer plans tend to view employees as their most important asset and see retirement plans as an investment rather than an expense. They recognize that a good benefits package helps attract and retain the best employees. By facilitating a low turnover rate and greater employee productivity, a good retirement plan and benefits package actually yields bottom-line savings as well as the loyalty of clients and customers.

Most employees, according to Schaaf, prefer "do-it-for-me" plans to plans that force participants to make difficult investment choices. According to a 2005 study by the Principal Financial Group, 49% of employees say they have too little information on retirement planning while 72% say they lack the discipline to save. Do-it-for-me plans—with automatic enrollment or "easy enrollment," default contribution rates, automatic escalation of contributions, default investment portfolios, and periodic rebalancing of accounts—make it simple for employees to save. In fact, 75% of American employees prefer to have someone else manage their investments for them.

Finally, Schaaf stressed the critical importance of employee education and of communication between employers and employees. The 2001 Retirement Confidence Survey found that 50% of 401(k) participants don't know how much to save, 60% never change their investment allocation, 80% never rebalance their accounts, and 75% remain at the initial default deferral rate. Such educational tools as retirement calculators, face-to-face financial guidance in the workplace, websites, and written material all work to improve employees' financial literacy.

Rob Zeldenrust, General Manager of the Fremont Co-operative Produce Company in Fremont, Michigan, then spoke of his company's model retirement program for small-business employees. Zeldenrust emphasized *employer* benefits—the recognition that a good, fair benefits package helps attract and retain the best employees, increases productivity and loyalty among workers, and helps build a reputation as a good place to work. He cited a Principal Financial Group study that found that a solid benefits package motivates 68% of employees to work harder and perform better. The Fremont Co-op, for example, has a very low absenteeism rate and a voluntary turnover rate of just 7% in an industry that averages 32%.

Zeldenrust pointed out that pooling benefits among 17 affiliated companies through the Michigan Farm Bureau had brought them much better prices on benefits packages. Instead of covering just 36 Fremont employees, the pool included 1,500 participants. As a result, the Fremont Co-op—which offers a 401(k) plan, a defined benefit plan, and a profit-sharing plan in addition to health, life, disability, and accidental death insurance—spends just $600 per employee per year in administering the *entire* benefits package.

Fremont produces an annual personal-benefit statement for every employee and sponsors annual meetings that allow employees (and their spouses) to provide feedback on benefits. The company also periodically brings in financial advisors to offer employees guidance. The success of the Fremont program, said Zeldenrust, demonstrates that small-business employees do want to participate in retirement plans. At Fremont, 100% of employees participate in the 401(k) plan and defer salary at least at the level to maximize the company's matching contribution.

Proposed Programs

The breakout group addressing the challenges that small-business employees face in saving toward retirement came up with a number of creative and thorough suggestions for action programs both to educate small employers about the ease and relatively low cost of retirement plan options and to help increase awareness of and encourage retirement savings among small-business employees. Their recommendations included the creation or adjustment of government programs, policy revisions, innovations in retirement plan designs, and development of new communication strategies. A brief description that highlights the main ideas of each action plan developed by the subgroups of this breakout group follows below.

- ✦ **The Automatic IRA:** This program, described in detail in Section 5 as an action plan for low-income workers, would also serve small-business employers and employees. Employers would have no fiduciary responsibility, serving merely as a conduit of payroll deductions by sending the money to a centralized IRA provider. The Automatic IRA would encourage automatic enrollment of all employees, automatic escalation of contributions, and a default investment portfolio for participants who don't want to make their own investment choices.

- **Plan Designs for the 21st Century:** This program would offer three new retirement plans that would provide small-business employees a guaranteed minimum benefit and investment return while increasing their retirement savings. The delegates who developed this program called these three plans the Plain Old Pension Plan (POPP), the Guaranteed Account Plan (GAP), and the Defined Benefit 401(k) (DB/K). These plans—all hybrids of existing plans—would offer employers flexible funding (allowing them to contribute more in profitable years to cover benefits for future lean years, for example) and continued tax incentives while providing employees with guaranteed benefits and regular, easy-to-understand account balance statements.

- **Pooling Our Way to New Small-Business Coverage:** This program would develop new multiple-employer plans, allowing unrelated small businesses to band together—either by industry or by geography—and benefit from economy of scale in order to provide cost-effective, portable pension plans for themselves and their employees. Alternatively, the program could develop multi-employer arrangements that enable unrelated employers to pool resources, but that don't have collective bargaining requirements. Administrative and fiduciary responsibility for these plans—a key concern of small employers—could be assumed by financial institutions. The plans, funded through employee and/or employer contributions, could offer pooled investments under a DB plan or simplified investments under a DC plan.
- **Retirement Equity Tax Incentive Relief & Encouragement (RETIRE) Act:** This proposed act would provide new tax incentives to make employment-based retirement plans more affordable for small businesses. For small employers (less than 100 employees), RETIRE would provide a $1,000 tax credit to defray administrative costs, roll back IRS user fees for retirement plan applications to 2005 levels, make the 2001 EGTRRA pension provisions permanent, and provide exception from fiduciary risk for specified default investments used as safe harbors. The program would use automatic enrollment and allow tax-free rollovers for all family members, not just spouses. The program designers also recommended increasing the age for minimum required distributions to 75, excluding $1 million in IRAs or retirement plans from the taxable estate, and taxing IRAs and retirement plans at capital gains rates.
- **Students Learning About Money (SLAM):** This program would require every high school graduate to complete at least one semester of a course in basic finance and demonstrate basic financial literacy, including such concepts as how to balance a budget, how credit cards work, the impact of compound interest, and the value of asset diversification. SLAM

would provide hands-on practical training using new technologies (iPods, "push" tech, "go" phone concept) to engage young people at an age when knowledge of basic financial concepts will make a significant difference. The program might also aim to increase financial literacy among adults through public service announcements, or by offering a tax credit to adults who complete a financial literacy course.

✦ **Project Alarm:** This program would join the public and private sectors in providing consistent, simple messages (slogans and rules of thumb) designed to sound the alarm regarding retirement savings and to change the prevailing culture. Working together, government and business would craft messages aimed at creating awareness of retirement goals and the need for a guaranteed income, teaching how to manage savings and how to safeguard against the risk of lost savings, and encouraging workers to start saving early. Vehicles used to communicate Project Alarm messages could include the Social Security Administration, the Department of Labor, the Internal Revenue Service, employers and plan sponsors, the Small Business Administration, accountants and financial planners, schools, and the press.

SECTION 7

New Entrants to the Workforce

Lori Lucas, Director of Retirement Research with Hewitt Associates, LLC, opened the group session by providing a definition of "new entrants to the workforce" and an overview of the challenges they confront in saving toward retirement. New entrants are those with less than five years' tenure with their current employer. They tend to be younger, less financially savvy, and have lower salaries than the average American worker. They often enter the workforce saddled with debt, since the typical college loan debt upon graduation is $20,000 and the average graduate also carries $4,000 in credit card debt. In addition to paying off loans, new entrants often have other spending priorities that offer more immediate gratification: a car, a house, day-to-day needs, and "lifestyle" purchases.

Tax deferrals provide a weak incentive for many new entrants. These workers often have a somewhat myopic view of life, regarding themselves as "too young to save for retirement." As Lucas pointed out, however, the first 10 years of employment are critical to retirement savings, allowing much more time for compound interest or long-term investment returns.

Even for those new entrants who want to start saving for retirement, short job tenure makes it difficult. Many employees are not eligible for either matching contributions or vesting during the first year of employment. In addition, because they often work in high-turnover industries, new entrants tend to move quickly from one job to another. And 65% of those with less than two years' job tenure cash out their 401(k) balance when they leave a job.

Faced with the complexity of retirement planning, many new entrants forgo participation, choose risk-averse investments (money market funds), or accept default options that are inappropriate for younger workers. Lucas cited a 2003 study that showed that the more funds a retirement plan offers as options, the less likely employees are to participate at all. This suggests that the simpler the plans, the better, as far as new entrants are concerned.

Lucas suggested that inertia could work to the advantage of new entrants if employers enrolled their employees immediately during orientation and if plans incorporated automatic enrollment, "quick enrollment" cards, or "quick enrollment online" as well as set contribution rates, premixed portfolios, and automatic escalations as default options.

Jeffrey D. Wiker, Vice President of Administration of H.L. Wiker, a Lancaster, Pennsylvania company with about 150 employees, described his model program for new entrants to the workforce. Wiker's employees become eligible to participate in the company's 401(k) plan after 3 months. The company automatically puts in 1% of the employee's salary and provides a 25% match of the first 6% in salary deferral. The company issues benefits statements every six months and hosts mandatory benefits meetings as well as one-on-one financial advice sessions during work hours. Wiker's Step Program allows low initial deferral rates with regular escalations, and its Lifetime Portfolio Plan takes the guesswork out of planning by making default investments based on a worker's age and years until retirement. Among employees with less than five years' tenure, 89% participate at an average deferral rate of 5.9%.

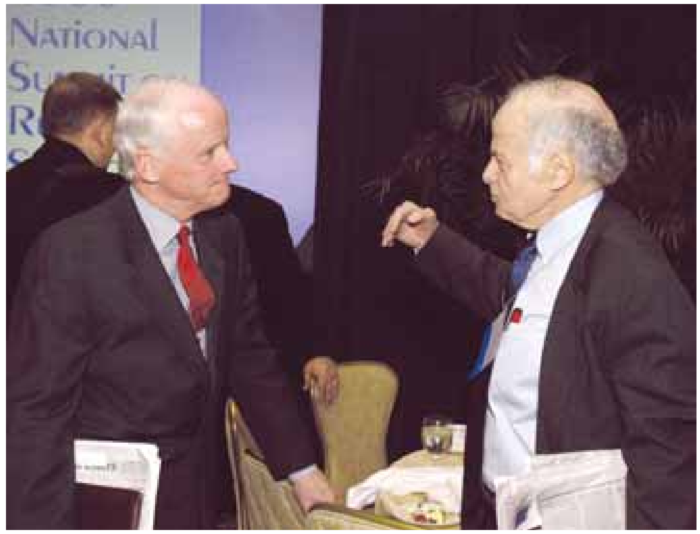
Danielle R. Shanes, Manager of the Work Environment at the McGraw-Hill Companies, then described her company's model program for new entrants. With 13,500 U.S. employees, McGraw-Hill offers 401(k), profit sharing, and pension plans with immediate eligibility and vesting upon hiring. Viewing retirement planning as the shared responsibility of employers and employees, the company provides a 100% match on the first 3% of salary deferral and 50% on the next 3%. With the goal of fostering financially literate employees, the company operates a financial resources website and sponsors retirement seminars and one-on-one meetings with Ameriprise financial advisors. It stresses retirement planning through multiple "edutainment" media, including iPods, a video screen in the lobby, and personalized e-mails. The success of its efforts is demonstrated by McGraw-Hill's 85% participation rate in its retirement plans.

Proposed Programs

The breakout group addressing the challenges faced by new entrants to the workforce in saving for retirement suggested a number of innovative action programs to heighten awareness of the need to start saving early, and to help new entrants do just that. A brief description that highlights the main ideas of each action plan developed by the subgroups of this breakout group follows below.

- ✦ **Savings Are Vital for Everyone's Retirement (SAVER) Act 2006:** This act would establish a SAVER account—with a $1,000 start-up financed through a government grant—for every American worker upon receipt of their first paycheck. The initial contribution rate would be 3% of the worker's salary with regular 0.25% escalations. The payroll deduction could either be deposited into the employer's plan or sent with the employer's FICA payments—at no cost to the employer—and deposited into a clearinghouse plan, managed by private money managers, with default features both universal and legal for all plans. When workers change jobs, funds could be automatically transferred to or from the clearinghouse. Workers would have no access to SAVER funds until retirement age, thereby guaranteeing some retirement savings. To offset the cost of contributions by low-income workers, this program would also make the Savers' tax credit refundable. A broad-based public education campaign would supplement the program goals.
- ✦ **Better Education = Higher Savings:** This would introduce a two-pronged financial education program: The first would stress basic financial literacy (budgeting, savings, etc.) to children through the public and private school systems; the second would teach higher financial skills, including retirement planning, to workers through employer-sponsored educational courses. The program would use incentives—federal education funds tied to adoption of a financial literacy curriculum, tax incentives to offset employer costs of

educational programs, or fiduciary safe-harbor relief to employers who implement a comprehensive education program—to encourage participation by schools and employers. The program would aim to create a better-educated workforce more likely to take "ownership" of their retirement and become better savers.



- **The Portability, Education, and Tax Incentives (PET) Project:** Here, a three-pronged approach would help new entrants achieve future financial security in terms of both retirement income and healthcare costs. A privately operated clearinghouse would be created to allow plans for workers who change jobs frequently and for employers who do not sponsor their own plans, while ensuring *portability* from job to job. The program would also make financial literacy a requirement for high school graduation, offer incentives to employers and financial institutions to provide investment *education* and advice, and use the annual SSA statement to encourage taxpayers to calculate how much they need to save for retirement security. *Tax incentives* for employers who meet benchmarks for automatic enrollment and escalations in deferrals, for new workers who start participating and saving, and for savers who preserve rather than disburse their retirement savings would help encourage prudent savings behavior.
- **Invest in Yourself:** This approach advocates automatic enrollment in retirement savings plans, default investments for uncertain investors, and matching contributions from the employer or the government to simplify and stimulate retirement savings and make them relevant to new entrants. The program would be complemented by a multimedia educational campaign aimed at changing the way workers think—to think in terms of retirement *income*, for example, rather than retirement savings. Finally, the program would relax restrictions on offering financial advice to new workers, giving workers access to financial professionals and reducing their reliance on non-professional sources of financial advice—but without exposing those advisors to undue fiduciary risk.

- **Make DB Easier:** This program would preserve the best elements of DB plans—automatic 100% participation, risk sharing, longevity protection, and the security of a guaranteed minimum income—while avoiding the chief pitfall of the current system: underfunding. The introduction of simple elements—a flat or career-average benefit that can be upgraded, full funding so that promises can't run ahead of funding, and portability (after vesting) through either reciprocity among participating plans or locked-in transfer values equal to actuarial reserve—would enhance both employee coverage and retirement income security.

- **Make Savings Easier through Structural Change:** This concept advocates program redesign and structural change aimed at making it easier for employers to adopt and administer employment-based retirement plans and for employees to enter and remain in a plan. It would permit employers to band together to form and administer plans, allowing economy of scale and better expertise. The program also advocates "opt-out options"—automatic enrollment, default to a premixed fund, escalating contribution levels, and automatic rebalancing of accounts—for employees. To increase participation, the program's designers recommended immediate eligibility for plans, a short vesting period, and expanded availability to part-time workers. Finally, the program might employ tax incentives to encourage parents to set up retirement accounts for their children, helping to instill a savings culture in future generations.
- **401(k) for Kids:** This program would allow employees to save for both retirement and their children's future educational expenses through employment-based payroll deduction plans by developing 401(k) for Kids plans tied to workers' 401(k) accounts. Upon receiving their first paycheck, workers would be automatically enrolled and would receive a gift card or initial deposit in their (k)ids account—an immediate gratification for saving (which usually offers only deferred gratification). The program, which would allow tax-free transfers between 401(k) and 401(k)ids accounts, would help build a culture of savings among American workers—and their children.

SECTION 8

Workers Nearing Retirement

Sylvester J. Schieber, Vice President and U.S. Director of Benefits Consulting at Watson Wyatt Worldwide, opened the group session by outlining some of the challenges faced by today's older workers who are nearing retirement. Inadequate savings, the failure to factor in rising healthcare and long-term care costs, and increasing longevity represent the biggest concerns for older workers. Most experts suggest that retirees need a replacement income of 70-80% of their final year's employment income to avoid a drop-off in standard of living. Yet for many soon-to-be retirees, the combination of Social Security and retirement or pension plans will not provide this level of income—especially since about 40% of workers over 40 do not participate in an employer-based retirement plan. Even personal savings (IRAs, home equity, etc.) may not bridge the gap for many workers.

Schieber suggested that phased retirement that goes beyond normal retirement age offers one solution. The anticipated flood of baby boomer retirees could lead to labor shortages in certain sectors, opening the door for phased retirees to make substantial contributions to the workforce. A 2004 Watson Wyatt survey of workers aged 50 to 70 found that one-third would work longer if offered a phased retirement arrangement. Many workers cited the need for income, enjoyment of work, and retaining medical coverage as reasons to continue working. The same workers preferred phased retirement over continued full-time work because it offers shorter, more flexible hours, less responsibility and stress, and more job satisfaction in addition to eligibility for retirement benefits. However, current pension rules prohibit drawing a pension and a salary from the same company, forcing two-thirds of those who work after "retirement" to seek a new employer.

To explore phased retirement further, **Deborah Lebryk**, Director of External Relations at Monsanto Company, told the group about her company's model program, the Resource Re-entry Center (RRC). The RRC matches a pool of 450 retirees and former employees with temporary positions at all skill levels—from scientists and financial consultants to receptionists and tour guides. The program is open to any retiree who has not worked for Monsanto in six months. For Monsanto, the RRC provides temporary workers who require little or no training while saving the cost of temp agency mark-ups. For the participants, the RRC provides supplemental income, flexible work schedules with the possibility of job sharing, and fulfilling work with little stress.

Charlotte Lazar-Morrison, Principal Director of Human Resources at The Aerospace Corporation, then described her company's use of phased retirement to meet the challenge of maintaining an adequate labor and skill supply. In addition to extending the normal retirement age and providing retiree medical benefits, Aerospace offers four phased retirement options: 1) a 90-day unpaid leave of absence to "try out" retirement; 2) part-time work (at least 20 hours per week to retain benefits); 3) "Retiree Casual Employment"—the rehiring of retirees on an as-needed hourly basis (with a maximum of 999 hours a year); 4) consulting (subject to IRS regulations regarding independent consultants). The program has offered great flexibility to phased retirees while allowing Aerospace to draw on the skilled workers it needs.

Proposed Programs

The breakout group addressing the unique challenges faced by workers nearing retirement came up with a number of creative suggestions for action programs to heighten awareness of possibly inadequate savings, improve older workers' ability to catch up on savings, take mea-sures to deal with rising healthcare costs, and facilitate phased retirement. A brief description that highlights the main ideas of each action plan developed by the sub-groups of this breakout group follows below.

- **Lifetime Accumulation:** This program would change the tax code that limits tax-deferred annual contributions to retirement savings accounts to *lifetime* limits on contributions. The change would allow workers nearing retirement to catch up more quickly and effectively, allow all workers to take advantage of their peak earning years to maximize savings, and allow women—who often interrupt their careers—to maximize their savings during the years when they are earning.
- **Change Rules to Reflect Shifting Paradigms:** This program would establish innovative regulations to reflect the steady shift of retirement plan paradigms from defined benefit plans to defined contribution plans. The regulations would incorporate some of the best features of defined benefit plans—automatic enrollment, default options—into defined contribution plans. The program would also establish longevity insurance, examine mandatory distribution requirements, and allow annuities as an election from DC plans. This program's designers also recommend exploring the possibility of using group purchasing power to allow individuals to purchase health coverage, annuities, etc., thereby increasing access to important benefits.
- **Advice and Education and Simplification:** This program would remove some of the regulatory barriers that extend fiduciary liability to employers that provide investment advice to employees as an election under their retirement plans—and thus prevent employ-ers from providing sound financial advice to employees who need it. The designers of this program argue that the current system makes it more costly for employers to provide financial advice, which has a negative impact on savings. The new program, which would require only advice that is in the sole interest of the plan participant, would aim to teach workers such skills as how to turn a lump sum into income and thus convert their defined contribution accumulation into a protected revenue stream.
- **Product Bundling:** This would remove the regulatory impediments to bundling products like annuities and long-term care insurance. This would allow the financial services industry to design unified plans that not only provide for retirement savings, but also cover the rapidly rising health costs that may threaten those savings.

- **Education and Communication to Create a "Savers Society":** This program would develop a comprehensive national education strategy to instill and reinforce a simple, understandable, intergenerational message that Americans need to plan and save for retirement, with a particular emphasis on reaching those nearing retirement. The program would involve a multimedia public educational and motivational campaign that utilizes such existing resources as websites and public service announcements that employ celebrities, shock and fear, patriotism, and hard reality to deliver a focused message on the importance of preparing for a secure retirement. The program would also enhance Social Security statements to include targeted messages by age, methods to calculate one's "retirement paycheck," and links to retirement education websites. The program, which would leverage public/private sector partnerships, would also embed financial literacy, including how to save, into the nation's educational curriculum.
- **Flexible Work Training (for Managers):** This program, which would provide training to managers who are willing to hire seniors, focuses on the design, implementation, and appropriate target audiences of flexible work arrangements. Training, which should be designed by work arrangement experts in consultation with experts on senior work, could be offered through community colleges or other non-profits focused on training and finding employment for seniors. By increasing the awareness and acceptance of flexible work arrangements among managers, the program would create more part-time, part-year, or other flexible employment opportunities for seniors who want or need phased rather than full retirement.
- **Short-Term Job Bank:** This phased retirement program would create a community service agency that matches qualified seniors who are available for short-term employment with employers who have temporary or project-based assignments. The program would provide marketing and outreach services to prospective employers of seniors while maximizing flexibility for phased retirees. The program could also work in conjunction with training or retraining for low-income, low-skilled seniors.

- **Expand Employment Training Opportunities for Older Workers:** This program would create demonstration projects aimed at developing replicable programs that provide effective employment training for low-income, low-skilled older workers and improve their overall access to and participation in employment training programs. The program would also provide income support for workers participating in such training. The Department of Labor's Senior Community Service Employment Program and the Environmental Protection Agency's Senior Environmental Employment Program were offered as effective models.
- **Retiree Health Security:** This program would offer retirees greater financial security by providing protection against two of the biggest threats to retirement security: runaway healthcare costs and gaps in retiree healthcare coverage caused by bankrupt, closed, or financially strapped businesses that discontinue or reduce retiree health benefits. The

program would provide government reinsurance against catastrophic healthcare expenses, establish prefunding mechanisms for employers who still want to fund retiree health benefits, allow early retirees to buy into Medicare, and offer a tax credit to retirees who pay health insurance premiums other than Medicare—extending the health care tax credit that already exists for retirees whose companies have gone bankrupt and terminated their pension plans, to include retirees whose former employers have reduced their benefits but not declared bankruptcy. Finally, the program would encourage wellness and disease prevention programs.

✦ **Retirement Income Security Plan (RISP):** This program provides longevity protection by gradually increasing payments in annuity format during the phased retirement period, envisioned as the period from age 65 to 75 when earned income gradually decreases. By replacing mandatory minimum disbursements with payments that phase in as retirees phase out of work, the program would allow those in phased retirement to draw less while they continue to have some earned income, and then draw more as they become older and less able to work. This annuity income would thus supplement earned income, IRAs, 401(k)s, and Social Security during the early years of retirement and take on increasing importance as the other sources of income dwindle down, offering protection for those who live long lives in retirement.

SECTION 9

Conclusion

Following the final breakout sessions, the team facilitators presented summaries of the action plans devised by each team's subgroups to the final plenary session of the 2006 National Summit on Retirement Savings. **Tom Conger**, Futurist and Founder of Social Technologies LLC, who headed the team of facilitators, noted that an overarching theme—"the desire to stress for everyone that savings in itself is a virtue"—had emerged throughout the wide variety of thought-provoking plans and programs generated by the delegates' hard work. "Promoting savings as a core value," he said, "maybe even a patriotic value, was very important" to all the delegates.

Ann L. Combs, Assistant Secretary of Labor, Employee Benefits Security Administration, closed the Summit by enthusiastically praising the breadth, range, and number of ideas and concrete suggestions generated by the Summit delegates. The Summit had produced a "menu of choices" for policy makers, legislators, and financial professionals to work on to improve the future for all Americans.

"The work of the Summit is really not ending," Assistant Secretary Combs reminded the delegates. "This was the beginning of a long and a vital debate about the future of savings for retirement." She said she looked forward to working further with delegates to meet the ongoing challenge of developing strategies on how to implement the action plans generated through the Summit and how to make them a reality.

"Americans are living longer, healthier, and more active lives than ever before, and preparing for an independent and a secure retirement is one of the great challenges of our time," she told the delegates. "We must rise to this occasion, and we will rise to this occasion."

APPENDIX A

The Summit Agenda

Saving for Your Golden Years: Trends, Challenges and Opportunities

AGENDA

Day 1—Wednesday, March 1, 2006

8:30 a.m.-9:30 a.m.	**Continental Breakfast**
9:30 a.m.-9:40 a.m.	**Presentation of Color Guard and National Anthem**
9:40 a.m.-9:45 a.m.	**Introduction of Secretary Elaine L. Chao** **Ann L. Combs,** *Assistant Secretary, Employee Benefits Security Administration, U.S. Department of Labor*
9:45 a.m.-10:00 a.m.	**Welcome and Opening Remarks** **The Honorable Elaine L. Chao,** *U.S. Secretary of Labor*
10:00 a.m.-10:05 a.m.	**Overview and Introduction** **Ann L. Combs,** *Assistant Secretary, Employee Benefits Security Administration, U.S. Department of Labor*
10:05 a.m.-10:35 a.m.	**Review of Previous Summits and Current Status of Retirement Savings** **Sylvester J. Schieber, Ph.D.,** *Vice President and U.S. Director of Benefits Consulting, Watson Wyatt Worldwide*
10:35 a.m.-10:45 a.m.	**Video Introduction of Breakout Groups**
11:00 a.m.-12:00 noon	**Four Concurrent Breakout Sessions** Delegates will work in one of four teams to examine the challenges facing four distinct groups by discussing ways to reach out with retirement savings messages and help overcome savings obstacles. The Summit will address the central issues facing workers and families. The groups to be examined are:

GROUP A:	**Low-Income Workers**
Speaker:	**Kirk Johnson, Ph.D.,** *Senior Policy Analyst, Center for Data Analysis, The Heritage Foundation*
GROUP B:	**Small-Business Employees**
Speaker:	**Renee V. Schaaf,** *Vice President of Retirement And Investor Services, Principal Financial Group*

GROUP C:	**New Entrants to the Workforce**	
Speaker:	**Lori Lucas, CFA,** *Director of Retirement Research, Hewitt Financial Services, Hewitt Associates, LLC*	
GROUP D:	**Workers Nearing Retirement**	
Speaker:	**Sylvester J. Schieber, Ph.D.,** *Vice President and U.S. Director of Benefits Consulting, Watson Wyatt Worldwide*	

12:00 noon-1:15 p.m. **Luncheon Program**

Mr. Ben Stein, *Actor, Author, Economist, Lawyer, Teacher, Expert on Finance*

1:30 p.m.-4:30 p.m. **Four Concurrent Breakout Sessions**

Delegates will review model savings programs and develop action plans targeting four distinct groups.

GROUP A:	**Low-Income Workers**
Facilitator:	**Robert L. Olson,** *Senior Fellow, Institute for Alternative Futures*
Expert:	**Kirk Johnson, Ph.D.,** *Senior Policy Analyst, Center for Data Analysis, The Heritage Foundation*
Presenter:	**Steven Dow,** *Executive Director, Community Action Project of Tulsa County*
GROUP B:	**Small-Business Employees**
Facilitator:	**Don Abraham,** *Futurist and Director of Development, Social Technologies, LLC*
Expert:	**Renee V. Schaaf,** *Vice President of Retirement and Investor Services, Principal Financial Group*
Presenter:	**Rob Zeldenrust,** *General Manager, Fremont Co-operative Produce Company*
GROUP C:	**New Entrants to the Workforce**
Facilitator:	**Atul Dighe,** *Futurist, 5 Big Questions About the Future*
Expert:	**Lori Lucas, CFA,** *Director of Retirement Research, Hewitt Financial Services, Hewitt Associates, LLC*
Presenter:	**Jeffrey D. Wiker,** *Vice President of Administration, Fleet Manager, H.L. Wiker, Inc.*
Presenter:	**Danielle R. Shanes,** *Manager of Work Environment, The McGraw-Hill Companies*
GROUP D:	**Workers Nearing Retirement**
Facilitator:	**Tom Conger,** *Futurist and Founder, Social Technologies, LLC*
Expert:	**Sylvester J. Schieber, Ph.D.,** *Vice President and U.S. Director of Benefits Consulting, Watson Wyatt Worldwide*
Presenter:	**Deborah K. Lebryk,** *Director of External Relations, Monsanto Company*
Presenter:	**Charlotte Lazar-Morrison, CEBS,** *Principal of Director Human Resources, The Aerospace Corporation*

5:30 p.m.-6:30 p.m. **Reception at Willard Intercontinental Hotel**

7:10 p.m.-9:00 p.m. **Dinner Program**

Invocation

Welcome and Opening Remarks

The Honorable Elaine L. Chao, *U.S. Secretary of Labor*

Keynote Speaker: **The Honorable Gordon Smith,** *Chairman, Senate Special Committee on Aging*

Closing Remarks: **The Honorable Elaine L. Chao,** *U.S. Secretary of Labor*

Day 2—Thursday, March 2, 2006

7:30 a.m.-9:15 a.m. **Breakfast Program**

Remarks by Congressional Speakers

The Honorable Charles Grassley, *Chairman, Senate Finance Committee*

The Honorable Michael Oxley, *Chairman, House Financial Services Committee*

9:15 a.m.-10:00 a.m. **Introduction of Keynote Speakers**

The Honorable Elaine L. Chao, *U.S. Secretary of Labor*

Keynote Speakers

The Honorable Don Evans, *CEO, The Financial Services Forum*
The Honorable Richard B. Cheney, *Vice President of the United States of America*

10:15 a.m.-12:00 noon **Four Concurrent Breakout Sessions**

GROUP A:	**Low-Income Workers**
Facilitator:	**Robert L. Olson,** *Senior Fellow, Institute for Alternative Futures*
GROUP B:	**Small-Business Employees**
Facilitator:	**Don Abraham,** *Futurist and Director of Development, Social Technologies, LLC*
GROUP C:	**New Entrants to the Workforce**
Facilitator:	**Atul Dighe,** *Futurist, 5 Big Questions About the Future*
GROUP D:	**Workers Nearing Retirement**
Facilitator:	**Tom Conger,** *Futurist and Founder, Social Technologies, LLC*

12:15 p.m.-2:00 p.m. **Luncheon Program**

Reports from the Breakout Groups

Facilitator: **Tom Conger,** *Futurist and Founder, Social Technologies, LLC*

2:00 p.m.-2:15 p.m. **Closing Remarks**

Ann L. Combs, *Assistant Secretary, Employee Benefits Security Administration,*
U.S. Department of Labor

APPENDIX B

Expert Speakers/Facilitators/Model Presenters

Expert Speakers

Kirk Johnson, Ph.D.
Senior Policy Analyst, Center for Data Analysis
The Heritage Foundation
Washington, D.C.

Lori Lucas, CFA
Director of Retirement Research
Hewitt Financial Services
Hewitt Associates, LLC
Lincolnshire, Illinois

Renee V. Schaaf
Vice President of Retirement and Investor Services
Principal Financial Group
Des Moines, Iowa

Sylvester J. Schieber, Ph.D.
Vice President and U.S. Director of Benefits Consulting
Watson Wyatt Worldwide
Arlington, Virginia

Facilitators

Don Abraham
Futurist and Director of Development
Social Technologies, LLC
Washington, D.C.

Tom Conger
Futurist and Founder
Social Technologies, LLC
Washington, D.C.

Atul Dighe
Futurist
5 Big Questions About the Future
Bowie, Maryland

Robert L. Olson
Senior Fellow
Institute for Alternative Futures
Alexandria, Virginia

Model Presenters

Steven Dow
Executive Director
Community Action Project of Tulsa County
Tulsa, Oklahoma

Charlotte Lazar-Morrison, CEBS
Principal Director of Human Resources
The Aerospace Corporation
El Segundo, California

Deborah K. Lebryk
Director of External Relations
Monsanto Company
St. Louis, Missouri

Danielle R. Shanes
Manager of Work Environment
The McGraw-Hill Companies
New York, New York

Jeffrey D. Wiker
Vice President of Administration
Fleet Manager
H.L. Wiker, Inc.
Lancaster, Pennsylvania

Rob Zeldenrust
General Manager
Fremont Co-operative Produce Company
Fremont, Michigan

APPENDIX C

Statutory Delegates

The Honorable J. Dennis Hastert, Speaker, United States House of Representatives

The Honorable Nancy Pelosi, Minority Leader, United States House of Representatives

The Honorable William H. Frist, M.D., Majority Leader, United States Senate

The Honorable Harry Reid, Minority Leader, United States Senate

The Honorable Michael Enzi, Chairman, Committee on Health, Education, Labor and Pensions, United States Senate

The Honorable Edward Kennedy, Ranking Member, Committee on Health, Education, Labor and Pensions, United States Senate

The Honorable Howard McKeon, Chairman, Committee on Education and the Workforce, United States House of Representatives

The Honorable George Miller, Ranking Member, Committee on Education and the Workforce, United States House of Representatives

The Honorable Gordon Smith, Chairman, Special Committee on Aging, United States Senate

The Honorable Herb Kohl, Ranking Member, Special Committee on Aging, United States Senate

The Honorable Arlen Specter, Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, United States Senate

The Honorable Tom Harkin, Ranking Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, United States Senate

The Honorable Ralph Regula, Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, United States House of Representatives

The Honorable David Obey, Ranking Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, United States House of Representatives

Appointed Delegates

Ms. Leanne J. Abdnor, For Our Grandchildren
Ms. Sally Atwater, President's Committee for People with Intellectual Disabilities
Ms. Susan Au Allen, US Pan Asian American Chamber of Commerce
Ms. Dana Auslander, The Blackstone Group
Ms. Meredith Bagby, Dream Works
Mr. Dean Baker, Center for Economic Policy
Ms. Clare H. Barnett, National Council on Teacher Retirement
Mr. Timothy Bartl, HR Policy Association
Mr. Hunter Bates, Bates Capitol Group, LLC
Ms. Clare Bergquist, Charles Schwab Corporate & Retirement Services
Mr. Andrew Biggs, Social Security Administration
Ms. Heidi Neel Biggs, For Our Grandchildren
Mr. Robert Bixby, The Concord Coalition
Ms. Lisa J. Bleier, American Bankers Association
Mr. Billy Borchert, Plumber and Pipefitters Local 572
Ms. Phyllis C. Borzi, O'Donoghue & O'Donoghue
Mr. Ramon J. Boshara, Jr., New America Foundation
Mr. Joseph Brislin, International Foundation of Employee Benefit Plans
Mr. Jeffrey R. Brown, University of Illinois and National Bureau of Economic Research
Mr. Jim Buchholz, Ameriprise Financial Services, Inc
Mr. Chuck Canterbury, Fraternal Order of Police
Mr. David Certner, AARP
Mr. David Cesareo, C N A Financial Corp.
Ms. Deborah Chalfie, National Women's Law Center
Ms. Elsa Cheung, Metropolitan Life Insurance Company
Mr. Jose Cisneros, City and County of San Francisco
Mr. Charles J. Clark, Aon Consulting
Mr. Sparb Collins, North Dakota Public Employees Retirement System
Mr. Richard Daly, Laborers' International Union of North America Local 169
Ms. Jeanne de Cervens, AEGON USA, Inc
Mr. Randy DeFrehn, National Coordinating Committee For MultiEmployer Plans
Ms. Alane Dent, American Council of Life Insurers
Mr. Stephen Dodson, Parnassus Investments
Mr. Alberto M. Duarte, InCharge Education Foundation
Mr. Ric Edelman, Edelman Financial Services
Mr. D. Don Ezra, Russell Investment Group
Mr. Michael Falcon, Merrill Lynch Retirement Group
Ms. Holly Fechner, U.S. Senate Health, Education, Labor and Pensions Committee
Ms. Karen W. Ferguson, Pension Rights Center
Mr. Doug Fisher, Fidelity Investments
Ms. Sheri Fitts, U.S. Bank, Institutional Trust & Custody
Ms. Bridget R. Flynn, Nationwide Financial Services
Mr. Clayton Fong, National Asian Pacific Center on Aging
Ms. Martha Ford, The Arc of the US and United Cerebral Palsey
Dr. William Fox, University of Tennessee, Knoxville
Ms. Karen Friedman, Pension Rights Center
Mr. Ron Gebhardtsbauer, American Academy of Actuaries
Mr. Carl George, Clifton Gunderson LLP
Professor Teresa Ghilarducci, University of Notre Dame
Mr. Brian H. Graff, American Society of Pension Professionals & Actuaries

Mr. Robert Greenawalt, Office of Senator Harry Reid

Mr. Robert Greenstein, Center on Budget/Political Priorities

Mr. Charles Hahn, Banc of America Investment Services

Ms. Mindy Harris, Department of County Management Multnoma County

Mr. Herbert H. Hilliard, First Horizon National Corp.

Mr. Douglas Holtz-Eakin, Council on Foreign Relations

Ms. Cindy Hounsell, Women's Institute for a Secure Retirement

Mr. J. Mark Iwry, Brookings Institution

Dr. Estelle James, World Bank

Mr. David C. John, The Heritage Foundation

Ms. Abigail P. Johnson, Fidelity Investments

Mr. Julius Johnson, Tennessee Farm Bureau

Mr. Eugene L Joseph, Joseph & Turner Consulting Actuaries LLC

Mr. Steve Judge, Securities Industry Assn.

Ms. Melissa Kahn, Metropolitan Life Insurance Company

Mr. Alan N. Kanter, Alan N. Kanter & Associates, Inc

Mr. John Kapanke, Evangelical Lutheran Church in America

Mr. Frank Keating, American Council of Life Insurers

Professor Kathryn J. Kennedy, John Marshall Law School

Mr. Kenneth J. Kies, Clark Consulting

Mr. Bruce King, Office of Senator Harry Reid

Mr. James Klein, American Benefits Council

Mr. Richard Koski, Buck Consultants

Mr. William G. Kuchta, Paychex, Inc

Mr. Marc Lackritz, Securities Industry Association

Congressman Sander Levin, United States House of Representatives

Ms. Laura Levine, Jump$tart Coalition for Personal Financial Literacy

Mr. Edward J. Lilly, New York State Deferred Compensation Plan

The Honorable James B. Lockhart III, Deputy Commissioner, Social Security Administration

Mr. Dave Low, California School Employees Association

Ms. Maya MacGuineas, The New America Foundation

Ms. Ruth Marlin, National Air Traffic Controllers Association

Mr. Ralph D. Marsh, Houston Police Officers Pension System

Mr. Alson R. Martin, Shook, Hardy & Bacon, LLC

Mr. James L. Martin, 60 Plus Association

Ms. Sandra J. Matheson, Washington State Department of Retirement

Mr. John Mattras, HandUpWorks

Ms. Ellyn A. McColgan, Fidelity Investments

Ms. Nan S. Mead, National Endowment of Financial Education

Ms. Susan Meisinger, Society of Human Resource Managers

Ms. Lisa Mensah, Aspen Institute

Mr. Renato E. Merolli, National Life Insurance Company

Mr. Daniel A. Mica, Credit Union National Association

Mr. John W. Milazzo, Jr., Campus Federal Credit Union

Ms. Judy Miller, U.S. Senate Finance Committee

Mr. Scott D. Miller, Actuarial Consulting Group, Inc.

Ms. Cynthia Moehring, MGM Mirage Corporation

Mr. Michael Moran, Goldman, Sachs & Co.

Mr. Bill Mulvihill, First Trust Advisors, L.P.

Professor Alicia H. Munnell, Boston College

Ms. Terry Neese, Women Impacting Public Policy Institute

Ms. Frances Nolan, TIAA-CREF

Ms. Diane Oakley, Office of Congressman Earl Pomeroy

Mr. Shaun O'Brien, AFL-CIO

Mr. John O'Neill, U.S. Senate Committee on Finance

Mr. Peter Richard Orszag, The Brookings Institute

Ms. Variny Paladino, American Savings Education Council

Mr. James Parker, Modrall Sperling

Mr. Timothy J. Penny, For Our Grandchildren

Ms. Pamela Perun, Aspen Institute

Congressman Earl Pomeroy, United States House of Representatives

Mr. Roy Ramthun, National Economic Council

Mr. Steve Regenstreif, American Federation of State, County and Municipal Employees

Mr. Bob Reid, Wachovia Bank

Mr. Alan Reuther, United Auto Workers

Mr. Charles D. Robinson, Northwestern Mutual

Mr. John Rother, AARP

Ms. Lauren Rothfarb, AFL-CIO

Ms. Joyce Ruddock, Metropolitan Life Insurance Company

The Honorable Paul Ryan, United States House of Representatives

Mr. Dallas L. Salisbury, Employee Benefit Research Institute

Mr. Leon Schellman, Procter & Gamble Company

Mr. Joseph L. Schiffhouer, FedEx Corporation

Ms. Pamela S. Schutz, Genworth Financial

Mr. Christopher Shelton, Communications Workers of America

Mr. Ian Sheridan, Mass Mutual Financial Group

Mr. Alan Shortell, New York Life Insurance

Ms. Arshi Siddiqui, Office of the Minority Leader, Nancy Pelosi

Mr. Andrew M. Sieg, Citigroup

Ms. Stephanie Silverman, Employee Owned S Corporations of America

Ms. Jacqueline Simon, American Federation of Government Employees, AFL-CIO

Ms. Sarah Simoneaux, American Society of Pension Professionals & Actuaries

Mr. Scott G. Sleyster, Prudential Retirement

Mr. Robert E. Sollmann, Jr., Metropolitan Life Insurance Company

Mr. Topher Spiro, U.S. Senate Special Committee on Aging

Mr. William E. Spriggs, Howard University

Mr. Norman Philip Stein, University of Alabama School of Law

Mr. Frank Stella, American Federation of Teachers

Mr. Eugene Steuerle, The Urban Institute

Mr. Paul Stevens, Investment Company Institute

Mr. John Stoma, Oppenheimer Funds, Inc

Mr. Jonathan Talisman, Capitol Tax Partners

Mr. Michael Tanner, Cato Institute

Mr. Richard Thau, Presentation Testing, Inc

Mr. Warren Thompson, Russell Investment Group

Mr. Mark R. Thresher, Nationwide Financial Services

Mr. Stephen P. Utkus, Vanguard Center for Retirement Research

Ms. Michele Varnhagen, U.S. House of Representatives Committee on Education and the Workforce

The Honorable Mark Warshawsky, U.S. Department of the Treasury

Ms. Jane Washbish, Moog Louisville Warehouse

Mr. Christian Weller, Sr., Center for American Progress

Mr. Kurt Westerman, Partners HealthCare System

Ms. Jane White, Retirement Solutions Foundation

Mr. J. Spencer Williams, MassMutual Financial Group

Ms. Della Williamson, Employees Retirement System of Texas

Mr. Michael Wilson, International Foundation of Employee Benefit Plans

Ms. Cindy Winckler, Iowa State Representative

Mr. Michael Wise, Caterpillar, Inc.

Ms. Patricia Wolff, American Farm Bureau Federation

Mr. Dennis W. Wootan, Northrop Grumman Corporation

Ms. Mildeen Worrell, U.S. House of Representatives Committee on Ways and Means

Mr. David L. Wray, Profit Sharing/401(k) Council of America

Ms. Brenda Wright, San Francisco Employees' Retirement System

Ms. Portia Wu, United States Senate, Health, Education, Labor and Pensions Committee

Mr. Robert A. Wylie, South Dakota Retirement System

Mr. J. T. Young, Ford Motor Company

Mr. Larry Zimpleman, Principal Financial Group

Mr. Paul Zurawski, Honeywell

The International Foundation of Employee Benefit Plans gratefully acknowledges the support of the 2006 National Summit on Retirement Savings Sponsors

Gold

Fidelity Investments

Genworth Financial

International Foundation
EDUCATION – BENEFITS • COMPENSATION
Accomplish More.

Bronze

AARP
AllianceBernstein
American Savings Education Council
Ark Asset Management
Bear Stearns
Choose to Save
Employee Benefit Research Institute
Eubel Brady & Suttman Asset Management
The Marco Consulting Group
Meketa Investment Group
Mercer Human Resource Consulting
MetLife
Milliman
National Association of Federal Credit Unions
Prudential Investment Management
Prudential Retirement Services
Reinhart Boerner Van Deuren s.c.

Other Sponsors

Aronson+Johnson+Ortiz
Associated General Contractors of America
Bond Beebe
Colony Capital Management
Lehman Brothers Asset Management LLC
Union Bank of California
U.S. Trust Company
Wright Investors' Service

SAVER
The 2006 National Summit on Retirement Savings

The above listing of the sponsors is only for informational and acknowledgment purposes and should not be interpreted as an endorsement of the entities, their products or services by the U.S. Department of Labor.

U.S. Department of Labor