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To: EBSA, E-ORI - EBSA

Subject: RIN 1210-AB33

How about allowing individuals to have their own defined-benefit retirement plans, as they are allowed to have their own defined contribution (e.g., IRA and Roth IRA) plans?

The terms of the plan should be standardized. Something close to the practices of large corporations up to the 1980's would be a good maximum, for instance 2.5% times years of service times last 5 years average salary. That would allow retirement after 40 years at 100% of the final average salary,

The federal government could publish actuarial guidelines for common age groups and benefit levels. Not everyone would want to put away that much, so they might choose a lower multiplier, say 2% or 1.5%. So, based on the earned benefit level, IRS could calculate a required plan balance as a percentage of the current year's income, and that would be the amount allowed as an exclusion from taxable income. This would be an approximation of the calculation an actuary would do for a corporate defined benefit plan. IRS would determine the interest rate used in the calculations, based on current economic conditions.

Participants would have complete control of the investments in their plans, as they do in their IRAs today. At retirement, they could take a lump sum, roll it over into an IRA, or take annuity payments according to whatever schedule they prefer.

One of the drawbacks of the traditional defined benefit plan vs. an IRA is that there is no protection for survivors if the participant dies before retirement. In order to overcome this, participants should be allowed the option to reset their plans every few years. Their plan balance would roll into an IRA, and they would start over with 0 years of service.

Or, you could simply raise the restrictive limits on IRA and Roth IRA contributions, and allow everyone to contribute an amount similar to what their employer would have to contribute to a defined benefit plan, perhaps 30% of income, or \$30,000 per year, and more for advanced age and low balances. Fully deductible IRA contributions should be available to everyone regardless of income. That would be a much simpler system to manage and audit. To offset the lost tax revenue, the entire system of Schedule A itemized deductions should be eliminated, and the first bracket rate should be raised to 20%.

A bird in the hand is worth two in the bush. There are many good reasons for people to take lump sums rather than annuities when they retire.

They don't trust their former employer not to go out of business, or unilaterally change the plan, as many of them have done.

Their plan for retirement is for high spending in their younger years, and less in their older years. They want to be active and travel while they can still get around.

They want the assets to be in their estate when they die.

They may already know that they have a fatal illness, or a family history, and do not expect to live as long as the actuarial calculations say they will.

They may expect to live a very long time, and need elder care or a nursing home in their later years, and wish to deplete their assets before the provider takes them all.

They may know that they have a debilitating, but non-fatal illness, and want to enjoy the fruits of their lifetime of labor while they can.

They may fear that inflation will destroy the value of their defined benefit.

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