PUBLIC POLICY, EMPLOYERS AND THE WEATHER

Howard Fluhr, Chairman
Societal Environment

- Pressure to move to ownership society (return to self reliance)
- Financial pressure on entitlement programs (viability debate)
- Philosophical pressure on entitlement programs

Aging population
- Birth rate
- Life expectancy extended: 60 is the new 40—longer period of productivity
- Immigration

Education
- Cost
- Quality
Business Environment

- Intense competitive pressure
  - Ever increasingly global

- Unforgiving marketplace

- Intense media and investment analyst scrutiny (immediacy)

- Unforgiving shareholders
  - Including major pension funds

- Intense war for talent
  - Ever increasingly global

- Accelerating rate of change

- Regulatory and accounting impositions and change

What Employers Want

➢ To be competitive
➢ To be nimble
➢ To avoid volatility
➢ To not be disadvantaged by benefit programs
➢ To attract and retain the most effective workforce possible
   • Choice between what employees need and what employees want
Who cares?

Some recall the halcyon days of collectively caring about the issue
  • Perhaps accurate
  • Perhaps never happened

The proverbial three legged stool: savings, Social Security, employer provided pensions—how many legs now? 3,2,1,4
  • Increasing equating of savings vehicles and lifetime income from pensions
  • Working beyond ‘normal retirement age’
    – Need
    – Desire
    – Marketplace demand
Public Policy (Is Anyone Paying Attention?)

➤ Everybody talks about the weather, but nobody does anything about it.
   Purportedly Mark Twain; actually Charles Dudley Warner

➤ No shortage of conventional wisdom, much incorrect
   DB is more expensive than DC
   Social Security is an investment mechanism for retirement
   Cash Balance plans can only favor younger workers
   Lump sum options are good public policy
National Retirement Policy

- Ideological stalemate
- It’s getting late
- Great minds and expertise available
- Political will
- Long-term view is the only way to the future