

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

**Wall Street Journal (January 23, 2007):
Quick Recovery of Health of Private Pensions**

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



Dignified Retirement

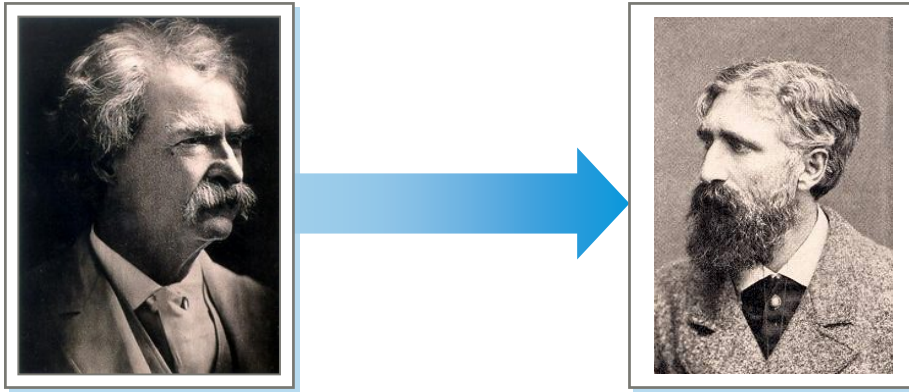
- Who cares?
- Some recall the halcyon days of collectively caring about the issue
 - Perhaps accurate
 - Perhaps never happened
- The proverbial three legged stool: savings, Social Security, employer provided pensions—how many legs now? 3,2,1,4
 - Increasing equating of savings vehicles and lifetime 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

