Executive Director's Letter

The Time for Us to Lead Is Now — Part II

PSCA has been the voice of the plan sponsor for nearly 70 years. As change may be on the horizon for DC plans, PSCA will continue to make sure your voice is heard.

By Tony Verheyen

In the previous edition of DC Insights, we reminded readers why offering workplace retirement benefits is good for organizations, employees, and our Nation. This letter builds on that theme.

Rather than succumbing to the drumbeat of those advocating for "get(ting) the sponsor out of the plan", I hope you, the Plan Sponsor, embrace the essential role you play today in preserving our Nation's financial security tomorrow.

Social Security and Medicare

Recently, the Social Security Board of Trustees released its 2015 report on the state of Social Security and Medicare. As those who review the report annually know, the prognosis continues to be: ***not good.***

- The Disability Insurance (DI) portion of the trust fund is projected to be depleted by 2016.
- The Medicare Hospital Insurance portion of the trust fund is projected to be depleted by 2030.
- The Retirement portion of the trust fund is projected to be depleted by 2034.

As you can see from the DI depletion date, our Nation will likely confront these issues in 2016. In this regard, the trustees remind us that (currently) there is no legal authority to fund one distressed portion of the trust fund with portions from other less-distressed portions. Thus, it seems likely legislators will be forced to amend the law to find new revenue.

Three conclusions:

1. the current structure is unsustainable.
2. like it or not, change is coming.
3. If the plan sponsors want input, they must coalesce around preferred solutions and raise their voice.

Proposed Solutions

Everyone agrees these programs are critical to our Nation's and its citizens' financial security. As sponsors of retirement plans, you know firsthand the impact these programs have on an employees' future retirement security. More, you can likely name individuals who are (a) unable or (b) unwilling to save adequately during their working years, and are relying on the viability of these programs.

Fortunately, there are many bright, well-intentioned individuals and organizations — on both sides of the political spectrum — contemplating solutions to the problems ahead.

Unfortunately, a few are implicitly and explicitly contemplating the impact those solutions will have on your organization, your plans, your plan participants, or your plan beneficiaries.

In 2016, PSCA will solicit plan sponsors' thoughts and perceptions of the plethora of proposed solutions.

Without commentary as to impact, here is a list of proposed solutions from various stakeholders:

- Means testing
- Increased payroll taxes
- Elimination of the FICA payroll cap
- Reduced 402(g) and 415 limits
- Modified social security retirement benefits indexing
- Eroded or eliminated Non-Qualified Deferred Compensation and Executive Compensation programs
- Mandatory participation in private disability insurance and retirement savings programs
- Delayed eligibility for disability, retirement and health benefits
- Reduced health care provider payments
- Increased legal immigration

The Plan Sponsor

Winston Churchill famously said, "You can always count on the Americans to do the right thing — once they've tried everything else." Warren Buffet reiterated this quote in 2008 when he addressed questions about fixing Social Security and Medicare.

To this point, you — the plan sponsor — have not formally expressed your thoughts on this important matter, but for good reason: you are busy focusing on the "immediate" and "short-term."

This is where PSCA can help. Our leadership and staff are here to help you address problems on the immediate, short, medium, and long-term horizon.

In this respect, we are eager to help you and your organization contemplate the impact of Social Security and Medicare fixes, and will ensure your voice is heard.

Tony Verheyen is PSCA's Executive Director.