FINANCIAL SECURITY

SOCIAL SECURITY REFORM

The Partnership supports meaningful reform of the Social Security system that addresses long-term solvency.

The Social Security system is under considerable strain from shifting demographic patterns in the U.S. Social Security expenditures exceeded the program's non-interest income in 2010 for the first time since 1983. If no changes are made, the Congressional Budget Office anticipates that Social Security Trust Fund will be exhausted by 2036. Thereafter, tax income would be sufficient to pay only about three-quarters of scheduled benefits through 2085, as there will be a huge gap between outlays and revenues because of a booming retirement population and an employee base that is growing more slowly. To contend with these shifts, either benefit levels must be cut, payroll taxes raised, the retirement age raised, additional funds transferred from the general Treasury receipts or some combination of these options therein. The system should be substantially revamped to avoid this fiscal crisis and maintain its long term solvency and viability. The earlier these challenges are faced, the less drastic and divisive the solutions will be. Reform efforts should avoid unnecessary tax increases or benefit cuts.

PENSIONS

As the Baby Boomers are retiring at a rate of approximately 10,000 per day, it is increasingly important to ensure the strength of the private retirement plan system. Millions of retired Americans rely on private pensions and employer-sponsored retirement savings as their most important source of income after Social Security. Accordingly, The Partnership supports the following pension reforms:

- Preserve and enhance existing tax incentives and contribution limits. Increase the limit for catch-up contributions. The Partnership opposes dollar caps on retirement savings assets and the certain proposal to limit the tax rate at which upper-income taxpayers can use itemized deductions and other tax preferences to reduce tax liability to a maximum of 28 percent.

- Ensure the viability of Pension Benefit Guaranty Corporation (PBGC) through the use of reasonable assumptions. Oppose delegating to the PBGC Board the authority to independently set the level of premiums, as well as the authority to factor into premium levels the risk that the plans pose to retirees and to the PBGC.

- Support legislation that encourages greater adoption of automatic enrollment and escalation safe harbor designs among small and mid-size employers by reducing bureaucracy and administrative requirements and simplifying plan design requirements.

- Support legislation that promotes useful decumulation strategies pertaining to annuities, long-term care insurance and other products without overly burdening plan sponsors.

- Support legislative efforts that increase the options for electronic disclosures of notices.

- Support reforms of government regulations that achieve fewer adverse consequences for jobs, innovation and overall competitiveness.

The United States has the most successful private retirement system in the world, but we must at the very least maintain the tax treatment of employer-sponsored plans and retirement products such as IRAs and life insurance to incent to participation. The most significant threats facing our private 401(k) and pension system is debt reduction at the federal level. Most observers believe that any constructive effort to reduce our debt must combine significant spending reductions with a review of our tax code to identify potential new opportunities for revenue. In this debt reduction environment, any tax incentive is under review.

EMPLOYEE ACCESS TO STOCK OPTIONS

In 2006, the Financial Accounting Standards Board issued a rule called FAS 123, which requires companies to account for stock options as if a cash expense, therefore reducing the net income of the company. The rule also requires stock options to be recognized as more shares outstanding, thus diluting share values for the company's existing stockholders. As a result of this duplicate cost, it became more expensive for companies to offer this opportunity to employees earning less than $100,000 annually.

The Partnership supports a Congressional override of FAS 123, so that it is more affordable for companies to allow employees whose cash compensation is less than $100,000 per year to have access to stock options, while having no impact on those employees earning in excess of that amount.

EARNED INCOME TAX CREDIT

The Partnership supports the Earned Income Tax Credit (EITC) because it rewards work and helps to reduce poverty in communities. According to the United Way of Central Iowa, there are nearly 114,000 Iowa families who do not earn enough to provide for a basic standard of living without public assistance, despite one or more full-time workers in the family. The EITC supports working families, who in turn spend income in Iowa communities.

FINANCIAL EDUCATION FIDUCIARY ETHICS

The Department of Labor is working on a proposal to apply a fiduciary duty to a broader universe of service providers of ERISA plans and Individual Retirement Arrangements (IRA) plans. Small employers and retirement plan participants need basic and affordable education to make critical retirement savings decisions. The Partnership believes it would hurt 401(k) plan participants and employers by forcing providers to curtail or eliminate education and assistance that is critically important to the retirement security of American workers. The Partnership supports clarity of investment advice but wants to ensure any new regulation does not result in limiting investors' and employers' access to essential services.