



## **The Three-Legged Stool That Isn't**

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Did you know that nearly 76 million Americans who make up the baby boom generation are on the verge of retirement age? That means that they'll soon stop paying income taxes and payroll taxes to the federal government and start collecting government benefits. Faced with this wave of retirements, America needs to have our retirement laws updated so that these soon-to-be-seniors can retire on sound financial footing and the nation doesn't go broke in the process.

Planning for retirement is a very serious matter. For years we have referred to the "three-legged stool" of a secure retirement that included Social Security benefits, personal savings and employer-sponsored retirement plans. And sadly, we're in trouble on all three.

### **Pension Reform**

Created in 1974, traditional pension plan laws have not been updated to meet the demands of a very different work force. Back then, most people used typewriters with carbon paper to make multiple copies in the office and dialed on rotary phones to place calls. Many people devoted large chunks of their lives working for a single company for the promise of a traditional pension that paid them a guaranteed monthly benefit for life. But evolving workplaces are not the only problem with these plans. We've seen an alarming number of large pension plans get turned over to the government when employers didn't put enough of their money behind their promises.

Our pension laws are out of date and out of step; they should be modernized and improved, so that we can preserve these valuable benefits that provide guaranteed income for life. The emerging House bill represents serious long-overdue reforms without pushing past the point of diminishing returns. The Pension Protection Act balances reforms to ensure employers more accurately measure and pay for their short-term and long-term pension promises, and requires meaningful disclosure to workers about the financial health of their pension plan.

The House bill is appropriately tough and requires companies to put their money behind their promises. The Senate bill would speed the decline in traditional pension coverage among employers that have maintained their long-term commitment to these plans in spite of the mounds of red tape. The Senate bill would force employers to dump even fully funded plans and just switch employees to 401(k) plans.

A small but important provision in the House bill would also make it easier for people to add a "fourth leg" to their retirement plan. The provision would allow people to continue working but also collect their employer-based pension after the age of 62. Current rules prohibit working for the same employer while also collecting a pension. This prohibition simply forces many people to change jobs and work for a competitor or stop working altogether.

### **Social Security**

The reason we need to strengthen Social Security can be summed up in one word: demographics. An aging generation, the baby boomers, will create a never-before-seen change in the financial landscape of Social

Security. In 1935, when Social Security was first created, there were 42 workers per retiree. Now it's three to one and falling.

The writing is on the wall. The generational pyramid scheme known as Social Security can not last for the long haul. Sadly, if we follow the do-nothing plan advocated by some, future Congresses will have no choice but to raise taxes, cut benefits and probably further increase borrowing.

I believe there is a better way if we act now. We can start by taking the extra money collected over the next few years in Social Security and put that money into personal retirement accounts to help people build a nest egg inside of Social Security. The legislative proposal to do this is H.R. 3304, the GROW Accounts Act. While I still advocate for additional sweeping changes, we should create GROW accounts in order to ensure that Social Security taxes are spent only on Social Security benefits.

### **Time Is Money**

Americans also must save for themselves. The reality is that the government can't pick up the tab for everything. We need to raise our national savings rate above zero. Employer-based savings, like 401(k) plans, are a great way to get people started on a culture of saving. But right now we've got short-term tax policy meant to encourage long-term savings. We need to make the rules in this area permanent.

We also need to encourage individuals to purchase long-term care insurance so that they won't have to rely upon Medicaid to pay for nursing home care.

The longer we wait on these issues, the pricier they'll be. It's time Congress moves forward with retirement security.

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