



# Resolution

## Pension and Retirement Savings Protections

*Adopted* September 6, 2002

*Amended* May 12, 2006

**Whereas** the retirement security of millions of retired and working Americans has been threatened by dramatic fluctuation in the stock market and the collapse and bankruptcies of corporations like Enron, WorldCom, Adelphia, and Tyco; and

**Whereas** hundreds of thousands of retirees and workers, including many Alliance members, have lost their 401(k) retirement savings because of corporate corruption and improper auditing and accounting practices; and

**Whereas** many retirees and workers who had investments in 401(k) plans were unable to reallocate their assets because of lockdowns and other barriers while the value of their savings declined. In addition, corporate executives were touting the stock of their companies while simultaneously selling their own shares; and

**Whereas** many retirees and workers have 401(k) plans that have a very high percentage invested in the stock of the company where they worked or are working. Therefore, a decline in the price of the one stock can seriously undermine retirement security; and

**Whereas** defined benefit pension plans are insured with guaranteed benefits while defined contribution retirement savings plans have no such protection; and

**Whereas** a major factor in the threats to retirement security has been the trend over the last twenty years to replace defined benefit pension plans with unprotected retirement savings plans such as 401(k) plans; and

**Whereas** this growth in retirement savings plans at the expense of defined benefit pension plans has led to retirees and workers facing much more risk in their retirement incomes; and

**Whereas** a growing number of employers with traditional pension plans are freezing benefits particularly for young employees or are not offering its pension plan to new hires; and

**Whereas** conversions from traditional defined benefit plans to cash balance pension plans can have a negative impact on older and long-tenured employees, a group that is least able to make up for any losses because of their proximity to retirement; and

**Whereas** the Pension Benefit Guaranty Corporation's (PBGC) ability to insure pension plans and pay benefits has been compromised by corporate bankruptcies; and

**Whereas** nearly half of full-time workers in the private sector have no retirement plan whatsoever. This situation has created the potential for economic hardship by millions of Americans during their retirement years; and

**Whereas** automatic enrollment in workplace retirement plans can increase participation as much as six-fold; and

**Whereas** the Savers Tax Credit created in 2001 provides tax incentives for savings, although it does not help lower-income families who do not owe taxes; and

**Whereas** efforts to balance budgets have often prompted state and local governments to reduce or freeze their contributions to employee pension plans, or even raid plan assets, thereby putting the retirement security of public employees at risk; and

**Whereas** politicians in states such as Alaska, California, Colorado, Michigan and others have embarked on a nationwide campaign to eliminate defined benefit pension plans in the public sector in favor of defined contribution plans that shift primary responsibility for retirement security to employees.

**Therefore, be it resolved** that the Alliance for Retired Americans believes:

1. Retirees need protections against the unscrupulous, unethical, and illegal practices that have characterized too many retirement savings plans and stock transactions; and
2. Congress should pass tough laws and provide enforcement agencies with appropriate funding in order to protect retirees against wrongful practices; and
3. Federal legislation needs to hold corporate officers accountable for their actions regarding retirement savings plans; and
4. Loopholes that allow companies to underfund pensions should be closed. Plan sponsors should be held accountable for adequately funding their plans; and
5. Workers and retirees should have representation on the boards of trustees of all defined benefit and defined contribution plans. The trustees need to be insured in case they are found to have acted unlawfully and plan participants need to be made whole; and
6. A national ombudsman to protect the rights of plan participants should be established within the United States Department of Labor; and
7. Plan participants need to be informed in advance of periods when they will not be able to sell their company stock and all participants must have the same opportunities regarding the sale of stock; and

8. Steps, such as a notice from the trustees, must be taken when a participant's holdings in one stock reach a high percentage in the participant's account; and
9. Investment advisers must not have any conflict of interest in stocks or other investment instruments they recommend to plan participants. Accounting firms must not receive consulting fees and contracts from the firms that they audit; and
10. In conversions from traditional defined benefit plans to cash balance pension plans or similar hybrids, participants should be allowed the choice of receiving benefits under the old formula or the new formula, whichever benefit is higher; and
11. There should be greater tax incentives for employers who start plans, including Simplified Employee Pensions (SEPS), or agree to cover all their workers; and
12. The Savers Credit should be made permanent and available to those with somewhat higher incomes than currently allowed. It should also be refundable in order to provide a better incentive for low-wage, non-taxed workers to contribute to retirement savings plans; and
13. Automatic enrollment should be a part of workplace retirement plans whether defined benefit, defined contribution or hybrid. Workers could still opt out but would need to take specific action to do so; and
14. Public sector pension plans should have federal protections along the lines of those for private sector plans in the Employee Retirement Income Security Act (ERISA), which would require employers to make responsible contributions to their plans and prevent them from raiding plan funds; and
15. Political leaders should recognize that public employees and retirees deserve the retirement security provided by traditional defined benefit pension plans— particularly because they make substantial contributions to these pension plans and give up wages in exchange for that security—and should end their campaigns to abandon public workers to the risks and uncertainties of personal retirement accounts; and
16. Bankruptcy laws should protect the rights and benefits of retirees and workers under defined benefit, defined contribution, and health care plans. The protection of these benefits should have the highest priority possible under bankruptcy laws.

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The Alliance for Retired Americans is a nationwide organization of three million retirees and other older and retired Americans working together to make their voices heard in the laws, policies, politics and institutions that shape our lives.