

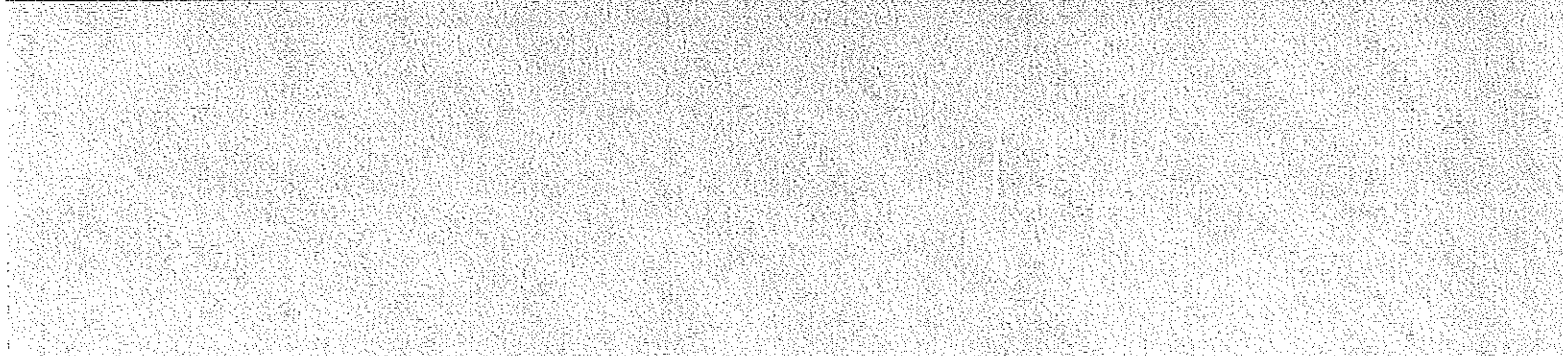
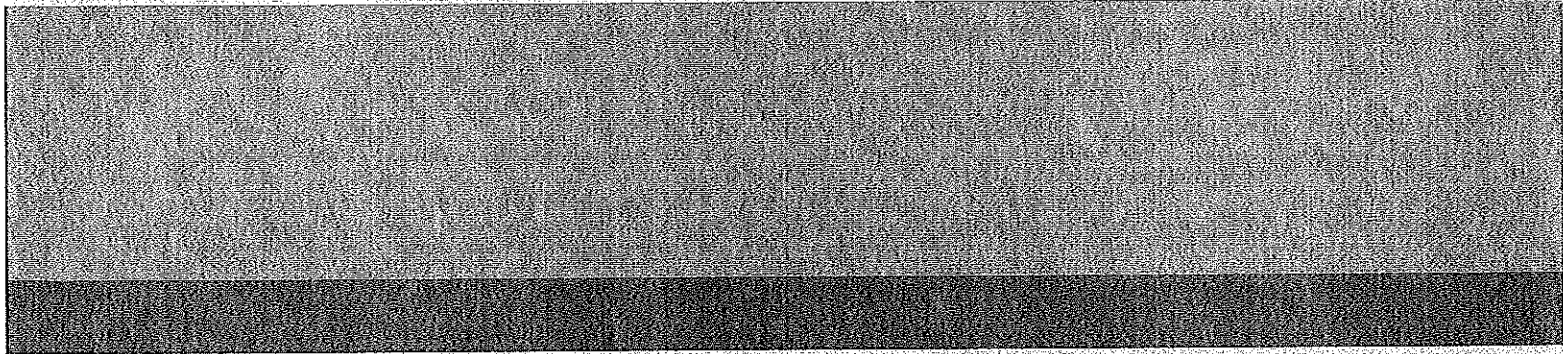
July 24, 2009  
Washington, DC

SHRM<sup>®</sup>

SOCIETY FOR HUMAN  
RESOURCE MANAGEMENT

## 2009 SHRM Executive Roundtable on the Future of Retirement

Executive Summary



# Background

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## Context

The 2009 SHRM Executive Roundtable on the Future of Retirement was held on July 24, 2009, at the Fairmont Hotel in Washington, DC.

This event brought together experts on the subject of retirement. This group included HR practitioners, academics and researchers, thought leaders, representatives from multiple organizations that focus on the subject of retirement, and senior members of SHRM's staff.

The group examined the most pressing issues surrounding retirement. The discussion focused on the main weaknesses in the current approach to retirement planning and potential solutions. Participants also discussed the impact of the recession.

### *Roundtable Purpose*

The purpose of the Roundtable was to have an open dialogue to explore the most critical issues related to retirement planning and to identify potential solutions and strategies for improving retirement security. In addition, the Roundtable focused on identifying and prioritizing the most important steps that the HR profession and SHRM can take to encourage retirement security in the coming years.

### *Roundtable Structure*

The Roundtable was structured as follows:

- SHRM CEO Laurence O'Neil laid out the context for the Roundtable by summarizing the challenges that the U.S. retirement system currently faces.
- Participants described their background and the organization they represent, and stated what they see as the most pressing issue related to retirement security.
- SHRM's Director of Research Steve Williams shared findings from recent research among SHRM members on saving for retirement.

- Roundtable participants identified the main weaknesses in the current approach to retirement planning, discussed the impact of the recession and offered solutions.
- Participants divided into three breakout groups. Each group addressed what HR professionals should do in their practice to work toward greater retirement security, what the HR profession as a whole should be doing, and how SHRM can best lead HR professionals in these efforts. Each group presented its conclusions.
- The Roundtable concluded with participants sharing their thoughts on the most positive ideas expressed during the course of the day.

This report follows the general structure of the Roundtable, providing a summary of the key themes from the entire event and summaries of each separate discussion.

### *About SHRM*

The Society for Human Resource Management (SHRM) is the world's largest association devoted to human resource management. Representing more than 250,000 members in over 140 countries, the Society serves the needs of HR professionals and advances the interests of the HR profession. Founded in 1948, SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China and India.

# Executive Roundtable Participants

Facilitator	Executive Roundtable Participants		SHRM Staff
<p><b>Deb Cohen</b> Chief Knowledge Officer SHRM</p>	<p><b>Beth Almeida</b> President National Institute on Retirement Security</p>	<p><b>Nancy LeMond</b> Group Executive Officer for Social Impact AARP International</p>	<p><b>Mike Aitken</b> Director, Government Affairs</p>
	<p><b>Theresa Conti</b> President National Institute of Pension Administrators Sunwest Pensions</p>	<p><b>Frank McArdle</b> Partner Hewitt Associates</p>	<p><b>China Miner Gorman</b> COO</p>
	<p><b>James M. Delaplane, Jr.</b> Partner Davis &amp; Harman LLP</p>	<p><b>Barbara McIntosh</b> Professor University of Vermont School of Business Administration</p>	<p><b>Bill Maroni</b> Chief External Affairs Officer</p>
	<p><b>Edward Ferrigno</b> Vice President, Washington Affairs Profit Sharing/401k Council of America</p>	<p><b>Dana M. Muir</b> Thurnau Professor of Business Law Stephen M. Ross School of Business University of Michigan</p>	<p><b>Laurence O'Neil</b> President and CEO</p>
	<p><b>Teresa Ghilarducci</b> Irene and Bernard L. Schwartz Professor of Economic Policy Analysis New School for Social Research</p>	<p><b>Michael Murphy</b> Director of Compensation &amp; Benefits Shoe Carnival SHRM Total Rewards Special Expertise Panel</p>	<p><b>Jennifer Schramm</b> Manager, Workplace Trends &amp; Forecasting</p>
	<p><b>Nikki Jackson</b> Secretary of the Kentucky Personnel Cabinet Commonwealth of Kentucky</p>	<p><b>Jack VanDerhei</b> Research Director Employee Benefit Research Institute</p>	<p><b>Steve Williams</b> Director, Research</p>
	<p><b>Steven Jarrett</b> SHRM Board Director-at-Large Senior Vice President, Human Resources FINRA (Financial Industry Regulatory Authority)</p>	<p><b>Michael Wilson</b> CEO International Foundation of Employee Benefit Plans</p>	
		<p><b>Lance Wright</b> Senior VP, HR &amp; Administration USEC Inc.</p>	

## Key Roundtable Themes

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There are many issues with the current retirement system.

- Not enough employers sponsor retirement plans (particularly small employers); not enough individuals participate in qualified plans; and those individuals who participate don't contribute enough. The result is that many Americans are left out of the current retirement system, and even those who participate aren't saving enough. In addition, Social Security faces significant financial challenges, as do public- and private-sector pension funds with massive unfunded liabilities.
- There are different segments of employers and employees, each with their own particular situations and needs.
- There is not one set of problems for all employers and employees, and there is not one singular set of solutions. The traditional retirement system works reasonably well for wealthy individuals and those who work for large companies for long periods of time. But the current system doesn't work well for the middle and lower end of the economic spectrum or for small employers. Specific policies and solutions are needed to address the problems of specific segments.
- As important as retirement is, participants felt that the issue has lacked political leadership and a constituency. As a result, the issue has not been getting the attention that is needed to drive change.
- The good news: there is no shortage of potential solutions. Participants identified a host of potential solutions and were in agreement on many of them. Among the solutions that need to be broadly considered were the following: changing the default to make auto enrollment the accepted standard; potentially mandating plan participation and possibly even certain levels of savings; increasing the amount of education that is provided with a goal of increasing society's financial literacy; and possi-

bly expanding the use of multi-employer plans as a solution for small businesses.

- HR professionals and SHRM have a key role to play in improving retirement security.
- Because retirement benefits have a significant impact on the workforce, the subject of retirement and retirement funding is squarely an HR issue. HR professionals need to understand the issues, make retirement funding a priority and be able to explain the value of retirement security to their board, management and employees. HR professionals must work to ensure that their firm's retirement benefits fit with the firm's mission and strategy and that these benefits provide employees the flexibility they are seeking.
- SHRM can play a key role in advocating for retirement security and in forming partnerships with other organizations. SHRM can serve as an information clearinghouse, can develop and offer educational tools and programs, can share success stories and best practices, and can offer targeted information, advice and solutions to specific segments, such as small employers.
- The time is right to work to bring about change.

Roundtable participants were in agreement that despite the obstacles that exist, now is the time to make retirement security a national priority. There was optimism that SHRM and other key stakeholders can work together to bring about meaningful change that can benefit employers as well as tens of millions of individuals.

# Current Challenges for Retirement Planning

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## Overview

Roundtable participants cited numerous weaknesses in the country's current retirement system—not enough employers sponsor plans, not enough employees participate in plans, and those employees who do participate don't save enough. Other weaknesses include the need to reframe the entire subject of retirement, as well as the policy area, particularly regarding the lack of leadership and a political constituency to drive change.

But in the face of these weaknesses, there are many potential solutions. These include improving financial education and literacy, increasing (and possibly mandating) auto enrollment, expanding multi-employer plans, and considering a “public option,” where the government would manage a retirement plan providing access to all individuals.

## Context

SHRM CEO Laurence O'Neil provided the context for the Roundtable discussion by summarizing the situation that exists for retirement. Mr. O'Neil described the traditional retirement system as facing a crisis, which has been accelerated and exacerbated by the current economic turmoil.

Many long-held economic assumptions have proven untrue, such as the notion that home prices and the stock market will always increase in value. Social Security faces a solvency challenge, as there is a smaller pool of workers who must support a growing number of retirees. Many companies that guaranteed pensions to employees have large unfunded liabilities, and some have gone bankrupt. There are cities and municipalities that can't meet their pension obligations. As a result, many organizations have migrated from defined benefits to defined contributions.

For years there has been delay and inaction. This is the time for action and for creating a sense of urgency to solve the problems associated with retirement.

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“Inaction is no longer an option.”

Laurence O'Neil

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With this as the background, Roundtable participants were asked to identify:

- The most pressing issues and main weaknesses associated with retirement planning.
- Effects of the recession on retirement planning.
- Potential solutions to these issues and weaknesses.

## Most Pressing Issues and Main Weaknesses in Retirement Planning

Participants identified a host of issues and weaknesses in the current approach to retirement planning. Comments fell into the following general categories: specific financial issues/weaknesses, policy issues, and framing issues.

While most participants agreed with Mr. O'Neil's characterization of the traditional retirement system as facing a crisis, Edward Ferrigno had a different perspective. He saw the employer-provided retirement system as perhaps one of America's great success stories and said that although the world has experienced a financial collapse that has decreased asset values, that is very different from a retirement crisis.

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“I don't think there is a retirement crisis. We had a worldwide financial collapse that has decimated retirement plans. We need to separate that issue from whether we have a retirement crisis.”

Edward Ferrigno

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*Specific Financial Issues/Weaknesses*

*Many employers are not sponsoring retirement plans.*

Even though retirement plans have existed for years, many employers still do not sponsor plans. In Theresa Conti's view, this is a key issue.

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"The number one issue is getting employers to sponsor plans and getting employees to participate in them."

Theresa Conti

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*It is challenging to get employees to participate in employer-sponsored retirement plans.*

While it is important for more employers to sponsor plans, it is also critical to increase the rate of employee participation in employer-sponsored plans. Michael Murphy pointed out that many of those who are eligible to participate in employer-sponsored plans contribute nothing.

*Many employees are not contributing enough money into their retirement plan.*

For those employees who do participate, the challenge is getting them to contribute more. In general, people who participate in retirement plans contribute too little. Dana Muir succinctly captured the thoughts of several participants by asking how society can ensure that people who do participate and do contribute ultimately have enough money.

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"How do we make sure that if a person is covered and is participating [in a retirement plan], that they will have enough money?"

Dana Muir

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*There is not enough education about saving for retirement.*

Several participants see the low participation and contribution rates as a result of low financial literacy, which comes from a lack of education around the importance of retirement.

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"The number one issue is, how do we effectively educate the population about the need to save for retirement?"

Lance Wright

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*There are issues in the distribution phase of retirement accounts.*

There is a great deal of focus on the challenges associated with the accumulation phase of retirement, the period when people are working and acquiring assets. There is extensive data on this phase. However, little is known about what happens during the retirement phase, when the assets in a qualified retirement plan are distributed to an individual and spent. More research is needed to better understand this phase and to assist people in dealing with it.

*There are challenges in getting defined contribution plans to work better.*

SHRM Director of Research Steve Williams presented data showing that about 90% of SHRM members' organizations are offering defined contribution plans, up significantly in the past few years. Only about 20% currently offer any type of defined benefit plan, down dramatically over the same period. In James Delaplane's view, one of the key challenges is whether a system that is based so heavily on defined contribution plans will provide adequate financial security for employees.

Beth Almeida asked, "How do we make defined contribution plans work better?" Attention has been paid to trying to make defined benefit plans look more like defined contribution plans, but more consideration should be given to making defined contribution plans look more like defined benefit plans. Employers should be given more options to meet employees' needs.

### *Policy Issues*

*Over the past three decades, the pension system in the United States has eroded.*

Teresa Ghilarducci characterized the current situation as an erosion of the pension system due to unintended consequences. Employers pick pension/retirement plans that are designed to minimize their risk and cost. One employer leads and is followed by other employers. Over time, huge gaps have developed. There are generations of workers without adequate retirement, which can't be supplemented by simply working more.

*As a country and society, we lack clarity on the issues surrounding retirement.*

Collectively, our society hasn't come to a common view of what retirement will look like in the long term. We lack agreement on clear goals surrounding retirement, and there hasn't been political leadership to define a specific goal and to lead the creation of policies to achieve this goal. Laurence O'Neil described the challenge as "seeing the path ahead." In Michael Wilson's view, the primary issue—and what should be the primary goal for retirement—is security for workers.

*There are issues with the current voluntary retirement system.*

Social Security wasn't intended to be a retirement system. It is a safety net and a way of transferring wealth from the young to the old. The current retirement system is a voluntary system with big tax incentives for employers. Ms. Ghilarducci stated that these incentives are costly—costing the government \$110 billion per year—and result in an inefficient system with high levels of disparity. In Ms. Ghilarducci's view, the tax incentives benefit the wealthy, who would have saved anyway, yet many people don't participate in the retirement system and don't benefit from these incentives.

*Policy discussions about Social Security focus on the country, not the individual.*

Nancy LeaMond observed that any time there are policy discussions about Social Security, the conversation always focuses on the financial health of the country and of Social Security. Discussions about reforming Social Security are based on the country's situation; these conversations never focus on individuals and their situation.

*There is a lack of a political constituency for change.*

While everyone who is knowledgeable about the subject of retirement is aware of the issues, there hasn't been a political constituency that has been able to make retirement a priority. In addition, there isn't strong political leadership for retirement. As a result, retirement isn't getting the political attention that it deserves.

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"It's no wonder there isn't much of a political constituency for change when the debate always seems to be focused on 'solvency' and 'trust funds.' What people really want to know is what it all means for their retirement."

Nancy LeaMond

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*Policy is looked at in silos as opposed to from an integrated approach.*

Currently, Social Security and Medicare are separate silos, and the policies and solutions are being discussed separately. However, these subjects are closely related and an integrated solution is required.

### *Framing Issues*

*The concepts of retirement and work need to be retired.*

People are healthier and are living longer. Many people who are approaching a traditional retirement age want to keep working—some full time, others part time. This desire to continue working isn't just because of money (or the lack thereof). They want to contribute, and they want to be wanted and valued. As a result, the entire concept of retirement needs to

be retired. Employers need to ask, "How do I keep human capital engaged?" Society needs to rethink the concept of retirement.

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"How are we helping employees rethink retirement and retool?"

Barbara McIntosh

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China Miner Gorman observed that since September 11, 2001, the core concept of work has changed. People care more about the experience and the meaning of their work. So, as society, organizations and HR professionals are engaging in conversations that seek to reframe retirement, they also need to consider how to reframe the idea of work.

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"Don't just reframe retirement; also redefine work."

China Miner Gorman

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*Individuals don't think about retirement security. They think about lifestyle security.*

Workers are overwhelmed and confused. They don't think about separate topics like pensions and health care and job security. They think in terms of their personal security, particularly their security in being able to live their desired lifestyle.

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"The issue isn't 'retirement security,' it is 'lifestyle security.'"

Michael Wilson

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*There world is not homogenous. There is a tremendous diversity of employers and employees, each with a different situation and different needs.*

Retirement means different things to different people, particularly people from different social and economic groups. Instead of viewing retirement planning as one monolithic problem, in Frank McArdle's

opinion, the population should be segmented, data gathered and the specific problem defined for each particular segment of the population. This approach will allow for the development of specific solutions.

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"Retirement means different things to different people."

Frank McArdle

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Among the different segments of employers and employees mentioned in this discussion were:

- *Small businesses.* Small employers, which have been the country's growth engine, face their own set of challenges in sponsoring and administering retirement plans.

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"I'm concerned about the impact on small businesses. What is it going to cost them? How will we create policies that ensure that retirement plans are impactful for these businesses?"

Steven Jarrett

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- *Younger employees.* Several participants also mentioned the challenges in convincing young people to participate in and contribute to their retirement savings.

- *Government employees.* A very different example is seen among employees who work for the government. Many people choose to work for the government for its stability and consistency, which includes an attractive defined benefit plan. These government employees have a strong political voice and don't have much interest in innovation, even where they are facing unfunded pension plan liabilities.

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"We see significant reliance on defined benefits... As a state and in spite of our Governor's best efforts, there is little appetite for innovation in the context of retirement offerings. Whatever change we realize in this regard is incremental."

Nikki Jackson

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- *Individuals who aren't employed full time.* Today's retirement plans are structured for individuals who work as full-time employees for 35 years. But that doesn't apply to all people. Many types of workers work for a short period of time on a specific project and then move to another project. As a result, one-third of workers are not eligible for a retirement plan.

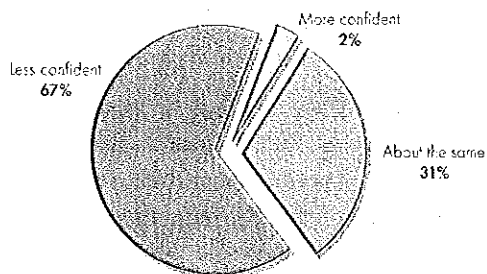
# SHRM Research Findings on Retirement Security

## Impact of the Recession on Retirement Planning

Steve Williams shared results from recent polls among SHRM members on the subject of saving for retirement. Some of the noteworthy findings from this research are included below.

*Employees are less confident about the adequacy of their retirement savings.*

Are employees at your organization more or less confident about the adequacy of their retirement savings now compared with 6 months ago?



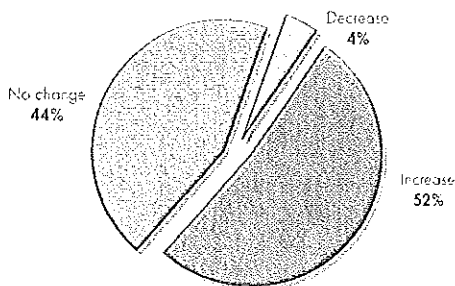
n = 518

Note: Respondents who answered "Not sure" were excluded from this analysis.

*Employees are getting more involved in the management of their retirement plan.*

52% of SHRM members said that employee involvement has increased; just 4% said that employee involvement has decreased.

In the past 12 months, has there been an increase, decrease or no change in the number of employees at your organization getting more involved in the management of their retirement plan?



n = 359

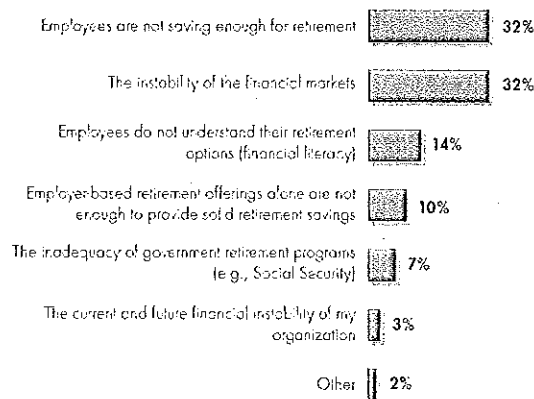
Note: Respondents who answered "Not sure" were excluded from this analysis.

*SHRM members are observing increases in the number of employees who are:*

- Postponing their retirement date.
- Reducing or suspending their 401(k) contribution.
- Completely cashing out their retirement savings.
- Requesting more guidance and information related to investing/retirement planning.

*SHRM members see employees not saving enough as the biggest threat to retirement savings.*

What do you see as the biggest threat to the retirement savings of employees at your organization?



*The recession is causing employers to cut budgets and benefits.*

The survey results show that the most common action being taken by companies as a result of the economy is to cut budgets across the organization, cited by 71% of respondents. Layoffs were the fifth most common action taken, mentioned by 49%.

As of March 2009, 17% of SHRM members responding to the poll indicated that their organization had reduced benefits in some way due to the economy. Among companies that reduced benefits, the most common reduction was in health care benefits. About 50% of the employers that were reducing benefits had reduced the contributions to their retirement plan.

Following the presentation of this research data, Roundtable participants offered several thoughts on the impact of the recession on retirement planning.

*The recession is hampering changes to retirement plans.*

Firms today are focused on survival. As a result, making significant changes in employee benefits is just not a priority at this time.

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"This is not a time that employers are innovating with respect to employee benefits. Firms are trying to survive and are fighting fires."

James M. Delaplane, Jr.

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*The recession could have long-term implications for retirement plans.*

In previous recessions, employers took actions that turned out to be temporary, such as decreasing their matches of employee contributions. However, some Roundtable participants expressed concerns that the length of this recession could cause temporary actions to become permanent.

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"I have concerns about dropping of 401(k) matches, which is a big issue. My fear is that this is a step toward employer disengagement."

Michael Murphy

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*The recession is shining a light on the issues.*

Although many people lack financial literacy, the recession has scared people into analyzing their own patterns of consumption, debt and saving. As a result, the savings rate in May 2009 was 6.9%—the highest in 15 years. Greater levels of saving are a positive trend that is emerging from this recession.

# Potential Solutions

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Roundtable participants shared many ideas for solutions to address the issues and weaknesses in retirement planning. Mr. O'Neil expressed optimism that there is an unprecedented convergence among many disparate groups. This convergence of interests makes the current moment a good time to bring about change.

## Key Areas of Agreement

### *Solutions need to be based on reality.*

In discussing potential solutions, participants emphasized that they need to be flexible in considering the situations and needs of different groups, take demographics into account and address the needs of small businesses in particular.

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"We need a solution for small employers. It is often very difficult and expensive to start and maintain a plan."

Theresa Conti

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### *Employees need portable benefits.*

For independent workers, those who work on projects or work part time, and those who are laid off, benefits need to be made portable. Individuals need to be able to easily take their benefits with them.

### *Employers should continue to be involved in retirement planning.*

While some participants wondered whether retirement funding should be more employee-centric and less employer-centric, most participants were of the opinion that employers should continue to play a key role in the retirement planning process.

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"When the pendulum of risk is swinging so much toward the individual, I don't think that we want to put even more decision-making risk on individuals.... We want to incent employers to remain engaged."

James M. Delaplane, Jr.

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One solution mentioned by multiple participants is giving employees the ability to leave their money in their employer's plan after they retire. Doing so would provide the benefits of scale, which include lower fees and access to more investment options.

### *Efforts must be made to improve financial literacy.*

Our society lacks the necessary level of financial literacy. Not only can employers play a role in improving financial literacy, but the educational system can teach financial literacy. Mr. Jarrett commented that there have been some discussions about mandating financial literacy as part of the middle school curriculum.

Improving financial literacy also requires that retirement plans and financial services companies simplify their communications. Communications regarding retirement plans are often extremely complex and intimidating. But this needn't be the case. Social Security has created simple, user-friendly, easy-to-grasp communications. If Social Security can do this, it is possible for retirement plans.

### *Making auto enrollment the default is an important solution.*

While recognizing the importance of education, both Jack VanDerhei and James Delaplane strongly emphasized the power of defaults. As Mr. Delaplane said, "General literacy is important, but defaults will have the biggest impact. . . . I don't think we should expect workers to manage complex financial decisions."

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"Education is nice, but the default side is the key."

Jack VanDerhei

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Perhaps the most significant default is for employers to automatically enroll employees in the employer's retirement plan, instead of requiring employees to opt in. Several participants advocated a TIAA CREF approach, where funds are automatically deposited for employees.

Another example that was viewed favorably is the idea of an "Auto-IRA." This could serve as a vehicle to help those who currently don't participate in a retirement plan. Proposed tax credits for employers provide an incentive for employers to participate. This may not be a robust long-term solution, but it provides a first-tier plan for those who currently don't participate in any plan.

SHRM data indicates that currently 38% of SHRM members' firms automatically enroll their employees in defined contribution plans, versus 19% in 2006. When employers automatically enroll their employees, few employees opt out or choose not to participate in the retirement plan. SHRM research shows that the opt-out rate is 4% or less at 90% of SHRM members' organizations, and it is less than 1% at more than 50% of all auto-enroll employers.

Ms. Jackson had a slightly different perspective. She wants her employees, who all work for the state government in Kentucky, to be more engaged. She therefore has reservations about auto-enrolling them and wants them to be encouraged to make their own financial decisions.

*The retirement planning horizon needs to be extended.*

Today, retirement planning takes place over a person's work life of 30 or 40 years. But retirement planning could begin earlier and could occur over an individual's entire life.

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"Why do we just focus on 30 years of work life?  
Why not over 60 years of total life?"

Lance Wright

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*Retirement solutions need to be integrated with solutions to other major issues.*

One of the weaknesses of retirement planning is that it is often viewed as a separate and distinct issue. However, it has to be dealt within the context of

other societal issues. For example, Social Security and Medicare need to be thought of together.

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"Retirement is not an isolated issue. It is one layer on top of lots of other things. It has to fit within the entirety of all issues."

Mike Aitken

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### Other Important Ideas

*Some participants believe there should be a policy that makes plan enrollment mandatory.*

Some Roundtable participants went further than simply making automatic plan enrollment the default; they suggested a policy whereby automatic enrollment in a retirement plan would be mandatory (as is being discussed for health care).

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"I've proposed mandating saving more. [...] In order to ensure retirement security, people are simply going to have to save more."

Teresa Ghilarducci

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*Another solution is to have retirement funds placed in a "lock box."*

Mr. Murphy suggested that some portion of all retirement funds (perhaps 5-6% of a person's income) would be placed in a lock box. These funds would be solely for retirement savings, and employees would not be able to access these funds for loans, advances or other purposes. (There would be exceptions allowing funds to be withdrawn.)

*Different solutions can address different segments, but all segments require policies that encourage saving more.*

Ms. Ghilarducci identified three segments:

1. The bottom 20% of society is not well-served at all. This segment is extremely vulnerable and requires a solution such as enhanced Social Security.

2. The retirement security of the middle 60% of society is based on employers' retirement plans. These plans have been eroded over time because employers have not viewed retirement plans as a priority. Employers want to do the right thing, but they are driven by their own goals.
3. The top 20% of society is well-served by the current system; no changes are needed for this segment.

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"Employer retirement plans have been eroded due to ambivalence from employers."

Teresa Ghilarducci

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In light of these differences—and the challenges for the middle and bottom segments—Ms. Ghilarducci is proposing a public option. This could be a noncommercial public retirement plan option that is administered by Social Security. Funds would be invested by trustees, and the plan would offer a guaranteed interest rate (tied to the rate of GDP growth). There are international examples for such plans, and the concept is supported by leading thinkers from both political parties.

*Multi-employer plans offer important benefits.*

These are retirement plans where multiple employers can join together to offer a plan. Doing so helps lessen the costs and the administrative hassles for smaller employers. Multi-employer plans enable small employers to offer retirement plans that are comparable to those of large employers.

Ms. Almeida said there are currently four million people who participate in multi-employer plans, almost all of whom participate in collective bargaining. However, there are many more people who could benefit from such plans.

*Solutions could be transformational or merely incremental.*

A dilemma is whether changes to the retirement system should be patchwork and incremental, or whether they should be transformational. Examples of potential transformational steps could be mandating defaults and contributions or fundamentally changing Social Security. Ms. Muir believes that although transformation is needed, there isn't the political will for transformation; the likely result is that changes will be incremental.

# HR's Role in Retirement Planning and How SHRM Can Support HR Professionals in Addressing Retirement Security

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## Overview

There is much that HR professionals, the HR profession and SHRM can do to address the challenges associated with retirement security. HR professionals can make retirement security a priority, can articulate the value of retirement planning, can lead educational activities and can oversee the implementation of the retirement plan within their organization, leading changes such as auto enrollment.

The HR profession, with SHRM leading the way, can advocate for greater retirement security, form partnerships and coalitions with other stakeholders, develop educational tools and programs, serve as an information clearinghouse, and conduct additional research in this area. Perhaps most important, the HR profession and SHRM can make retirement security a visible priority.

## Context

Participants divided into three breakout groups. Each group discussed and reported back on the following questions:

- What specifically should HR professionals focus on in their practice to work toward retirement security for employees?
- What should the HR profession be doing to promote retirement security? How can SHRM lead HR professionals in dealing with retirement-related challenges?

## What Should HR Professionals Do in Their Practice?

*HR professionals should own retirement planning.* Participants felt that the starting point is for HR professionals to see retirement planning as a priority and to step forward to take ownership of this priority. As owners, HR professionals will need to advocate in the organization for retirement planning.

*HR professionals should ensure that their organization offers the best possible retirement plan.* Participants believe that in advocating for retirement, HR professionals have a responsibility to take a long-term view in considering the implications for employees and the organization. In taking this long-term view, HR professionals should work to ensure that the organization offers the best retirement plan possible, based on the organization's specific situation.

Participants expect HR professionals to tie the retirement plan to an organization's mission, vision and strategy. In doing so, HR professionals must understand their workforce and must work to ensure that their organization offers benefits that are flexible and that fit with workers' needs.

*HR professionals must communicate the value of retirement plans and planning.*

Owning and leading retirement planning within an organization entails understanding the value of retirement planning and being able to convey this value. This means communicating to the board and the senior management team about the ROI to the organization. It also means communicating to employees the value of the organization's retirement plan, including the benefits of participation and reasons for contributing to the plan. Part of communications is changing the discussion from "retirement planning" to "long-term savings."

*HR professionals must be involved in the details of administering their organization's retirement plan.*

It is essential that HR professionals are engaged in both the big-picture issues (such as advocating for retirement benefits, offering the most appropriate plan, communicating the value proposition) and the details, such as oversight of plan investments and identification of default opportunities.

*Part of HR professionals' practice should involve education about retirement plans.*

HR professionals should work to ensure that there are programs that improve the financial literacy of employees and that educate employees about how retirement plans work (for instance, rollovers and distributions).

### **What Should the HR Profession Be Doing to Promote Retirement Security? How Can SHRM Best Lead HR Professionals?**

*Reframe the conversation.*

Many participants believe that the HR profession needs to retire the term "retirement." The HR profession can change the conversation from one about work and retirement to one about different stages of work, such as part-time or flexible work arrangements. Changing the conversation about work/retirement will also result in changing the conversation from retirement funding to long-term savings.

*Advocate to policy-makers.*

To promote retirement security, the HR profession—with SHRM leading the way—must be vocal advocates to policy-makers. Policy-makers must be educated about the issues, made aware of the value of retirement plans and presented with actionable solutions.

*Form partnerships with other stakeholders.*

The HR profession, with SHRM leading the way, should explore and form strategic partnerships with other organizations that are focused on improving retirement security. This might include other functional organizations, such as finance-focused organizations. Through such coalitions, scale can be created and retirement security can become a greater political priority.

*Develop and offer educational tools and programs.*

There is much that SHRM can do in this area. It can develop courses that improve the knowledge base around retirement plans and improve the business acumen of the HR profession. These tools can increase the financial literacy of the HR profession and can equip HR professionals with tools to increase the financial literacy of their employees. Education is particularly important and is needed in certain technical areas and to address topics such as fiduciary responsibilities.

Educational offerings might be customized for particular segments based on the needs of employers in those segments and can be targeted around specific issues, such as auto enrollment.

*Serve as an information clearinghouse.*

An important role that SHRM can play, especially for small employers, is to centralize and disseminate relevant information. Participants described this role as being a "clearinghouse of retirement information." SHRM can aggregate, organize and make available a wealth of information that would be of value to all employers, particularly small ones. This could include success stories and resources to contact for assistance.

*Provide consultancy services.*

One idea was that SHRM could provide advisory/consulting services to employers that needed such services but were too small to hire consultants. SHRM might enlist a core group of advisors who can provide assistance to employers.

*Conduct research.*

Even more research is needed for many aspects of retirement planning. SHRM is in a good position to conduct this research and disseminate the findings.

# Wrap Up/Closing Comments

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## Overview

Roundtable participants saw many positives emerging from this conversation. Most were excited that SHRM had convened this discussion and identified retirement as one of SHRM's major priorities. Participants were encouraged by the significant amount of agreement among the diverse group of stakeholders in attendance, particularly on topics such as auto enrollment and the need to develop solutions for small employers and those who are left out of the current system.

## Context

Participants were asked to identify the most significant positive elements regarding retirement security that were discussed at this Roundtable.

## Positive Findings From the Roundtable

### *Having the conversation.*

Multiple participants cited the coming together of a diverse group of stakeholders to identify problems and debate solutions as a significant positive outcome. They expressed hope that the positive momentum initiated through this Roundtable would continue. Also, participants were excited to see that retirement is prominently on SHRM's radar.

### *The amount of agreement.*

Participants were delighted by the amount of agreement that emerged during the course of the Roundtable. Participants from very different backgrounds and organizations had very similar perspectives regarding the challenges in the area of retirement planning, and there was significant alignment regarding potential solutions.

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"This group is reaffirming. There is lots of commonality here."

Barbara McIntosh

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The main areas of agreement that were cited as positives included the following:

- The central role of employers. Most participants see employers as continuing to play a prominent role in retirement planning and funding.
- The need to target specific solutions to specific segments of employers and employees.
- The need to focus on one segment in particular: those who are being left out of the current retirement system.
- The importance of education to increase financial literacy.
- Strong support for auto enrollment. Several participants were encouraged by the degree of support expressed for the concept of auto enrollment. The level of support among experts from diverse backgrounds bodes well for increasing the amount of auto enrollment that takes place, or perhaps even mandating it. Also seen as a positive by some was the general support for Auto-IRA.

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"There clearly is no one-size-fits-all solution."

Steve Williams

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The purpose of this Roundtable was to gather together a group of HR and policy experts from many different backgrounds to explore the most critical issues related to retirement planning and to identify potential strategies for improving retirement security. Facilitator Deb Cohen concluded the day's event by thanking the participants for helping SHRM achieve this goal and for helping SHRM identify and prioritize the most important steps that the HR profession and SHRM can take to encourage retirement security in the years ahead.

**PROJECT TEAM**

**Leader:** Jennifer Schramm, M. Phil., manager, Workplace Trends and Forecasting, SHRM  
**Project contributors:** Steve Williams, Ph.D., SPHR, director, Research, SHRM; Mark Krasnow, Bullseye Resources; Lorna Walters, research coordinator, SHRM; Beth Grossman, manager, Meetings, SHRM; Joe Coombs, specialist, Workplace Trends and Forecasting, SHRM; Dennis Rugbart, senior exhibit logistics coordinator, SHRM  
**Copy editing:** Katya Scanlan, copy editor  
**Design:** Terry Biddle, graphic designer

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**For more information, please contact:**

SHRM Research Department  
1800 Duke Street, Alexandria, VA 22314, USA  
Phone: (703) 548-3440 Fax: (703) 535-6432  
Web: [www.shrm.org/research](http://www.shrm.org/research)

