

AARP SOLUTIONS FORUM

**THE AUTO IRA:
STRATEGIES FOR SUCCESSFUL IMPLEMENTATION**

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JANET MCCUBBIN: Good morning, everyone. I am Janet McCubbin, the director of economic security in the AARP Public Policy Institute. And on behalf of PPI and AARP's Office of International Affairs, I want to welcome you to our forum on "The Auto IRA: Strategies for Successful Implementation."

Today about half of all workers in the U.S. are not covered by any type of pension plan, most because their employer does not offer a plan. There is widespread agreement that the long-standing low coverage rate of our current pension system is increasingly unacceptable and that tens of millions of workers would benefit from having access to a simple, low-cost way to save for retirement in the workplace.

For example, a recent AARP study finds that about three-quarters of Americans support the idea of the automatic IRA and over 80 percent of younger and lower-income respondents support the concept. Most workers who are not currently offered a retirement plan say they would likely participate in an auto IRA if they were given the opportunity.

The Workplace Savings Coalition, a group of seven consumer and business-oriented organizations, most of which are represented here today, has endorsed auto IRA as part of its efforts to improve retirement income security through simple, inexpensive workplace-based systems.

Moreover, recent experiences in New Zealand and in the United Kingdom show that it is feasible to design pension reforms to effectively increase coverage. Nevertheless, policymakers, employers and other stakeholders have legitimate and important questions about the details of how an auto IRA would work.

Our goal today is to identify some of those issues, explore how some of them have been tackled overseas, and talk about how auto IRA could be implemented here in the United States.

Our first speaker, Eric Toder, will start us off by explaining why we need to address the shortcomings of our retirement saving system and identifying some questions about the auto IRA proposal. Eric is a fellow at the Urban Institute and has held positions at the Department of Treasury, IRS and Congressional Budget Office, where he has specialized in tax and retirement policy. Eric?

ERIC TODER: Thank you very much, Janet. It's a pleasure to be here. I will try to be brief. I'm just going to give a brief overview and talk about how auto IRAs fit into the general scheme of our savings problems in the United States and then leave that to others to fill in the interesting details of how this is actually going to work.

So let's – so there are five things I'm going to talk about: Why do we need more saving, how does the tax system treat saving, what are some consequences of the changes over the last 30, 40 years in the U.S. pension system, why we might want to have automatic savings plans, and what are the issues people will need to address in designing automatic IRAs?

So why do we want more saving? I mean, this is well-worn ground. Two main reasons. One, there has been a long-term decline in saving. It can be measured various ways, but any way you do it, it's been going down. Both the private saving rate is going down and also the national saving rate, which includes the deficits of governments at the federal and state and local levels.

That has adverse consequences. It leads to slower economic growth because you can't finance the capital you need for expansion. It also makes us much more reliant on overseas loans, which may at some point reverse itself if people decide they don't want to hold our dollars, and so that puts us at significant risk.

A second reason, totally unrelated, is on the micro side, is what's happening to individuals, whether they are prepared for retirement. For some people, there are going to be very low replacement rates. They won't be able to maintain their living standards in retirement.

For others – of course we're living in a time where the aging population is increasing very quickly with the aging of the baby boomers and that's going to put much greater demands on public programs, but those public programs are unsustainable, given the levels of projected federal deficits. So without private saving, that's going to put much more strain on the need for public programs to support people in retirement.

And finally, the big elephant in the room is rising health-care costs, and you know about that.

So here are a couple of pictures. The first one shows saving rates are falling over the last 50 years as a percentage of GDP. The picture shows the national saving rate bumps – public saving rate bumps around a little more. It actually went up during the 1990s.

In the late Clinton years, deficits disappeared and we went into surplus, but that disappeared very quickly after 2000. And if you took the curve out a couple of more years, that public saving rate is really plummeting. So that picture looks really quite ugly. A clearer picture is showing what's happening – without taking out the cycles, what's happening each decade. This is national saving as a percentage of GDP. You can see a very consistent decline.

And the components of that – on this picture, again, you can see the private saving has declined continuously. The public saving has bounced around a bit. And in the '90s actually the deficit over the whole decade was down, and that was mostly what happened in the late '90s, but deficits are going back up again significantly.

Are we ready for retirement? Well, a lot of different views among economists on this subject. There have been some good reviews of the literature by Jonathan Skinner at Dartmouth and Rudy Penner at the Urban Institute.

There are some models out there that look at consumption smoothing – adjusts for additional costs of child-raising. Note that people with kids don't need as much money in retirement to maintain their living standards after the kids leave, and they come up with the

conclusion that, well, on average most people are seemingly saving about the right amounts to replace their income.

There are other studies, some done at Boston College Retirement Research Consortium that show that boomers won't be able to maintain their adequate replacement rates and so they come to a somewhat different story.

Declining Social Security replacement rates will play a role too. As the normal retirement age slowly creeps up, the replacement rate is dropping a little bit, as will rising Medicare premiums. So all of these things are going to make retirement less adequate.

And also, you really can't generalize. Individuals face a variety of risks. Some economy-wide risks like the stock market crash can lead to unexpected changes. People face the prospects of disability, long-term care, ill health, messy divorces. All kinds of things can cause you to end up less well off at retirement.

So judging from the outside by a mathematical model whether somebody is saving – any individual is saving enough for retirement is a very hard thing to tell. And of course the biggest level of uncertainty here is the rising level of health-care costs.

Okay, so how do we tax saving – to go on to the next subject. Well, basically there are three phases. There is when you contribute, whether you get a deduction, whether the accruals are taxed, and then how you tax on the way out. The normal way under an income tax is known – my friends in New Zealand use the phrase, TTE, which means you tax the contribution, you tax the interest, and you exempt withdrawals once they've already been taxed. That's how you treat a normal savings account.

Under what's called a consumption tax, you would exempt the saving. You don't tax it when you earn it and put it away in a savings account. You would exempt the accruals and you would tax it when you pull it out for consumption. And mathematically that's equivalent to taxing the contribution and exempting the earnings and the withdrawals, which is TEE.

Most countries have a hybrid system where you have some income taxation and some consumption taxation. In the United States the income tax is actually mostly for high-income people. Here is kind of a summary of what we do in the U.S. Qualified plans are either EET or TEE, TEE being the Roth plans.

Regular interest income is TTE. Now, I use TPE to represent partially taxed, and that's how I characterize things like municipal bonds where they're tax-exempt but actually the rate of return is a little lower than on regular bonds, so people are effectively paying some tax on it but not the full tax.

Capital gains and dividends partially taxed, and housing is TEE. You buy the house out of your after-tax dollars but you pay no tax on the imputed interest. And I guess you could potentially, if you have a very big capital gain, pay a little bit of tax at the back end, but that's unusual.

If you look at how this works in the U.S., it turns out in the bottom quintile, most capital income is tax-exempt. That's because the largest piece is from homes, and then there is another piece from pensions.

Qualified plans rise in relative importance with income, except at the very top where people have – the top of the distribution where people are hit by the qualified plan limits and so they have most of their wealth outside of qualified plans. And very high-income people have the biggest share of their assets that are either taxable or partially taxed.

So we have mostly a consumption tax system for most people and we have an income tax system at the very, very top of the distribution.

Our pension system, as I said, is tax exemption. It's interesting, though, how plans differ. There has been a lot of talk – and I won't go through it – about the shift from defined benefit to defined contribution plans, but I think one of the things in addition to the different timing of benefits and pattern of benefits under defined benefits and all these other changes, I think the one thing I would want to highlight is the change in the degree of individual choice.

And that's actually been a change over the last 30, 40 years in both DB and DC plans. There used to be – always were some employer-contributed DC plans but what's happened recently is people have had much more discretion of how much they can contribute to DC plans, and that started when 401(k) plans came into existence in the 1980s – early 1980s in a very big way.

So now that most plans are not only DC plans but they're also plans which a good deal of the contribution levels and participation are at the discretion of the employee and not the employer. So one of the things that has caused is really the ability of people in a firm that has a plan to choose not to save, and that's why we're having this conference now, or one of the reasons.

If you look at the participation in qualified plans – this is some data from CBO – most people participate in some form of qualified plan, but many lower-income workers don't participate.

I'll skip that.

And I guess the other – let me go back to the previous one – but one of the important things about – well, maybe I don't have a picture that shows it very clearly, but one of the important things about it is that middle-income people generally have a higher participation rate in defined benefit plans because they're more uniform in their employer contributory. The defined contribution plans assets are a lot more concentrated toward the high end.

So how do you increase saving? Well, the consumption tax treatment really doesn't do much to benefit most workers. Most workers are in the zero, 10 or 15 percent bracket so they don't get a big subsidy from tax exemption. Beyond that, however, there are traditionally two

ways of subsidizing. One is through the way pension plans are structured through anti-discrimination rules where employers ineffectively are bribed to bribe their low-income workers in order to make it possible for the high-income workers to participate and get the advantage of the tax benefits.

So in many plans employers are either still making mandatory contributions or subsidizing the contribution. So that's one way. And the other way is directly, through some means like a savings credit.

Finally, you could use default rules, which is the subject of this conference, and recent research shows that makes a really big difference when you default people into plans as opposed to having them voluntarily sign up. More than twice as many people seem to participate. And also, people are very sensitive to what investments they're defaulted into. They tend to stick with a default investment.

There are increasing numbers of voluntary plans by employers. That's been facilitated by provisions in the Pension Protection Act a few years ago. And there's also the possibility, as New Zealand and the U.K. are experimenting with and we're discussing, of having some forms of mandatory auto-enrollment where employers are mandated to enroll people in plans and give them the option to opt out.

Part of the reason for the auto IRA is many firms still do not offer any form of retirement plan. Workers can contribute up to \$5,000 to an IRA but the take-up rate on IRAs is very low. And I was intrigued by Janet's statement about how many people would say they would participate in an auto-enrollment IRA because the same people actually could participate in IRAs if their employer doesn't offer a pension plan.

In most cases, for most income levels, they could if their employer does offer a pension plan, but yet the participation rates are strikingly low. As this picture shows, the participation rates rise with income as you would expect, and the contributions as a percentage of AGI rise with income.

Again, it falls a little bit at the top because high-income people are, in some cases, not eligible to contribute to these plans. And also they're capped so their contribution is as a percentage of AGI. If you look at the average contribution, it rises across income levels so that even people who do contribute are very often not contributing the maximum that they could.

Okay, so let me talk briefly about the administration's auto IRA proposal. To summarize very briefly, employers without pension plans must deposit 3 percent of their wages into an IRA. They would bear no fiduciary responsibility. This would be purely an IRA for the employee. And they would receive a small tax credit. I think it's around \$250 per employee. And the purpose of that tax credit would basically be to cover the administrative costs of doing this. It's not meant to be a subsidy for saving.

Deposits could be put into a plan that the employer chooses, it could be put into a plan that employees choose, or it could go into a default plan if nobody makes any choice. The

workers would be notified. They could opt out of the plan if they wanted to. They could change their contribution. They could also change – the default plan really has two aspects. It's who's the investment provider, which firm is running it, and what assets are it invested in, and workers could change either the investment provider or the allocation of their assets among assets.

Finally, the administration argues, and I think this is correct, that this is not likely to displace 401(k) plans. The contribution limits for IRAs are much lower than the contribution limits for 401(k) plans, so anybody who wants to have a 401(k) plan and enable employees to save as much as they do in a 401(k) plan would be advised to keep their 401(k) plan. This is not going to be a benefit to people who already have 401(k) plans.

Okay, some of the issues – I'm just teeing these up; these will be discussed later this morning – what should be the default investment plan? That is, what should be the balance between risk and return? I think criticisms of – some plans were heavily criticized a few years ago because people were defaulted into money market accounts, gave them very low rates of return relative to what they could have gotten in the stock market, and no investment advisor would tell you to put your retirement savings in a money market account.

Then of course the conventional wisdom was to have a very high percentage in stocks when you're young and then gradually reduce that percentage with life cycle plans. I think since the recent crash, people have gotten a lot more nervous about stocks and a lot more nervous about the idea of defaulting people into risky and highly variable investment plans, even if that still, going forward, looks like probably the best thing to do.

So I think that's always going to be an issue. When many people are going to stay in the default plan even though they don't have to, then what is it that – what's the level of risk versus return that that's an appropriate balance for the government to mandate in its public plan?

A second issue is annuities. One of the problems of course with defined contribution plans are, instead of people coming to retirement with pensions and annual streams of income until death, as they did in DB plans, they're now coming to retirement with assets. There are two possible problems.

They could spend those down too quickly and end up with nothing when they're old, or they could not spend them down and basically under-consume and live at a lower standard of living than they might be able to because they're worried about running out of money. And it's not so easy to buy a private annuity. The market is thin, and so it's a little bit hard to get longevity insurance.

So one thing, of course, is you could default people into annuities and that would create a larger market for annuities and would solve that problem. On the other hand, annuities are not appropriate for everybody. Some people might be annuitized – you know, have other sources of annuity income as opposed to a particular plan and don't want to be over-annuitized. Other people might think their life span is short and just might be better off not being in an annuity.

So there's all kinds of issues about mandatory annuitization. By the way, the same kinds of issues come up when discussing private personal accounts and Social Security. I mean, do you want to maintain an annuity or do you want to get out of it? So this is not a new thing.

A third question, which our friends overseas, because they have a much simpler tax system, I think, don't have to deal with is what should be the default tax rules? Of course, individuals have a choice now between EET, deductible IRAs, or TEE, Roth IRAs, and the question is, if you're going to default people into an IRA, which IRA do you default them into?

I think some of the people who have written on this have suggested defaulting people into Roths because the people using this are going to be people in low tax brackets. They might be in higher tax brackets later on, so private – you know, in a private sense they would be better off if they were in a Roth than if they were in a deductible account. They might as well – since the deduction is not worth much to them, they might as well buy the tax exemption later.

On the other hand, from a government budgetary point of view, Roths are a dreadful instrument. They basically show no revenue loss in the short run but they create all of these revenue losses going out in the future, just at the time when the budget is going to be in an increasingly dire situation 10 or 20 years from now, and do we really want to expand that kind of situation, and isn't it better to take the hit in a more transparent way and take the budget hit now by allowing a deduction?

So those are the – finally the question is, do defaults displace employer subsidies? And I think for these programs, depending on how they're designed, that might not be too big a problem, but it's something we always need to keep in mind, that there are two ways to encourage saving. One way is to subsidize it and one way is to default people into it.

To the extent that you're defaulting low-income people into plans and they're staying there, you're getting them to participate without encouraging them, without subsidizing as much participation as you were before. So there could be some adverse distributional effects.

On the other hand, you may want to maintain both subsidies and defaults. I think there are some views that these things are interactive. So again, the question of what the proper balance between default mechanisms and subsidy mechanisms is something that will I'm sure be explored.

So conclusions. There are many reasons to boost saving. I went through some of them. They're well known. The long-term trend in the United States has been toward more voluntary contributions to savings accounts and less contributions that are – saving that's kind of mandated at the employer level, and that may have reduced rank and file participation in saving plans.

Changing default rules and increasing subsidies are alternative ways to increase private saving, and defaults have shown to have a very powerful effect, much more than subsidies. And if you put in an auto IRA, you can increase saving among those without access to a pension at work. But there are many issues that remain to be resolved, and one final thought I will make is sort of a compliment to the United States and then a compliment to our friends from overseas.

The United States, with our university system, is one of the leaders in the world in research, and we are in this field too, so all of the research on default plans has come from studies that have been done here by academic economists and others, so that's been a tremendous resource for the rest of the world, but it turns out in the rest of the world they've moved forward and implemented these things and we have not.

So it will be very interesting to hear from our friends on what they've actually done, and I'm sure that there is an awful lot to be learned. Thank you very much. (Applause.)

MS. MCCUBBIN: Thank you very much, Eric. As Eric said, we're especially fortunate to have with us today representatives from the United Kingdom and New Zealand, and Caroline Rookes is the director of the Enabling Retirement Savings Program in the United Kingdom's Department for Work and Pensions. And since 2005, Ms. Rookes has headed this program to encourage millions more to save for retirement.

She will describe the design of an extensive U.K. reform that has been in development for several years now and will be fully implemented, I believe, in 2012. And so we're anxious to hear from Caroline what lessons we might learn from their experience.

Caroline?

CAROLINE ROOKES: Thank you. Thank you, Janet, and thank you, Eric, because Eric I think has probably set the context very well for what I was about to cover. The challenge in the States I think is the same as the challenge in the U.K., and actually the solutions are very, very similar. We may use different language to explain things, but we're actually moving along a very similar road together.

I was going to spend some time outlining the challenge before I went on to the reform, but as I say, I think Eric has done it extremely well for me. I can talk all day about this, so I shall skip through it quickly and hope I cover the things that you're interested in, but of course I will take questions at the end.

Just skipping through this – this is very familiar territory. As Eric said, we're facing closure of defined benefit schemes, withdrawal by employers from pension provision. In the U.K. we have 1.3 million employers; 750,000 of them do not provide a work-based pension. There is a cost attached to pensions, and we believe about 10 million people – and that's about a third of those people in work, just over 40 percent – are not saving in a pension.

And over 50 percent of those on low to moderate income are not saving in a pension, and they're the people that we're most concerned about. And that just shows the decline in participation in pensions very similar to the pictures that Eric was showing – very, very steep decline over the last decade. We don't know why particularly but we do know that its impact is particularly on young people, women and part-time workers.

So this rather busy slide describes what we have been doing. A lot of it is probably not relevant to you. It's dictated by the way we do things in the U.K. But there are a couple of things I would draw your attention to.

The first was the setting up of the Pension Commission in 2002, and this commission was set the task of looking at pensions in the U.K., looking at the future, and coming up with some proposals that would secure agreement across the various different stakeholder groups. So that's industry – pensions industry, employers, consumers and government.

And the commission was headed by someone you may well have heard of, Adair Turner, now Lord Turner, a very well-known and respected figure in the financial industry. There was an academic on the team and then there was a representative of the unions and consumer groups, and their job was to look at what was happening and come up with some proposals.

They spent two years analyzing what was going on and came up with what we've called a settlement, which essentially had three prongs to it, which I'll come to in a moment. But it was a settlement for going forward, which had consensus from all interested groups. And this was because of the status of the people that were doing the reform, the quality of the work, huge amount of analysis and evidence, and the ability of the team to secure consensus through stakeholder engagement as they went forward.

So in 2004 we were presented with the proposals, and since then we've been legislating and implementing, just for the avoidance of doubt. We're in the middle of implementing at the moment. We have some state pension reforms coming in next year. But the part that we're concerned about – auto enrollment and personal accounts – doesn't start until 2012 and implementation won't finish until 2016.

So it is a very long road. You may think we're just very slow at it, but it is taking us a long time to get it in place.

So as I said, there were three pillars to the reform: more generous provision by the state – and this was a more generous basic state pension, a simpler state pension, and one that people could qualify for with fewer years' contributions than previously.

It also recommended that people should work longer and that the retirement age should be increased. Now, we have plans to increase the retirement age to 68. We have to equalize between men and women and then increase it to 68, and it's a very, very slow process.

I have to confess that David, who I'm with, and I were talking this morning about when we achieve it, and neither of us can remember but we think it's about 2040. So it's very, very slow –

MR. : (Off mike.)

MS. ROOKES: – '46. So a very, very slow process. And actually, there is a lot of debate now in the U.K. about whether we should speed that up.

And then the final leg was of course saving more through workplace pensions. That's our focus today, and it's what we snappily call the Enabling Retirement Savings Program, or as we love acronyms, the RSP.

Now, this is very, very similar to the sort of IRA plans that Eric was outlining. From 2012 there will be a new duty on all employers to automatically enroll their workers into a work-based pension. And it can be an existing pension scheme. It doesn't have to be a new one. It has to pass certain simple tests, which are broadly around the level of contributions.

And all workers earning over 5,300 pounds a year – which I suppose at the moment is about, what, \$7,000 a year – will be automatically enrolled and will be able to opt out if they don't want to stay in.

If they stay in, there will be a compulsory contribution. The employer will have to contribute 3 percent of a band of earnings up to about 33,000 pounds a year, and the employee, 4 percent. And then there will be tax relief, which will amount to about 1 percent. So the total contribution will be about 8 percent.

There will also be a new personal account scheme, and this is to address the market failure that exists at the moment whereby low to moderate earners, small employers, are not served by the existing pensions market because it's just too expensive to provide for them. So personal accounts will provide a low-cost, simple pension scheme for those employers and employees that can't find or don't want provision from elsewhere.

And there is actually a fourth element, which isn't on this slide, which is a compliance regime. These reforms are only going to work if employers fulfill their duties. They have to automatically enroll their employees. And they can comply with the letter of the law but maybe not the spirit of it – encourage people to opt out and the reforms won't work.

So we're developing quite an extensive compliance regime which will underpin all this, which will start from the basis of educating employers, enabling them to do what's right, and then if they don't do what's right, enforcing the duty.

So just looking at the issues around this, as I mentioned before there are three groups that have the most interest in this, first of all employers. Out of a total of 1.3 million, 750,000 currently provide nothing and about 250,000 provide less than the minimum we want from the reforms.

So we're asking for a big change from employers. And, not surprisingly, they're concerned about the costs of the contribution and the administrative burden. But we've done an awful lot of research on this and we believe actually the administrative costs are quite small. We've done our best to design the arrangement so that they're as simple as possible, and the costs of contributions will be phased in over the – well, originally it was three years. It's slightly longer than that now to give employers time to accommodate the changes.

Industry, their concern was competition from personal accounts. A very low-cost scheme could take their business away. And also what we call leveling down. There is a concern on the part of existing pension providers that employers will take this opportunity to either reduce the provision that they currently have or remove it altogether on the basis that they're not required to provide good-quality schemes. All that we're requiring of them is this total 8 percent contribution, which is a lot less than an average contribution now to a DB scheme or indeed a DC scheme.

And individuals, well, they have a lot of needs. They need information. They need the scheme to be simple. They need help. They need to understand more about the risks that they're taking. And all of this on top of a legacy of mistrust, I think – there is extensive mistrust of savings and pensions in the U.K., for a number of reasons. I don't think we're unique, but one reason was a major mis-selling of personal pensions back in the '70s, '80s. And so all of this makes it a very difficult base to start from.

Now, personal accounts is at the heart of what we're trying to do. There is a market failure, there is a gap there at the moment, and we want to build a scheme that will provide low-cost pensions for a lot of people. And when we say low cost, we're starting with a charge of about 50 basis points immediately, hoping that will go down possibly half in the longer term.

There was a lot of pressure at the time to let the market provide the solution, but our view was that it hasn't and it couldn't provide a solution on the scale that we need to provide it in order to make the economies to keep the charges low.

What we wanted, though, was private sector expertise, so what we've done is we've set up what we call a non-departmental public body, an arm's length public body, and we've tried to make it as independent as possible from government but at the same time it is still part of the public sector and so enables ministers, governments to intervene if things are not working properly. But we would want that intervention to be absolutely minimal and circumscribed.

We've also gone for a trust-based scheme. And I won't go into the ins and outs of that, but essentially it was to enable us to comply with consumer legislation. When we were setting this up, we discovered that there was a possibility that automatic enrollment would be considered as inertia selling and therefore not acceptable unless we set up a trust that was operating in members' interests. So that was the route that we had to go down.

We're grappling with a lot of issues at the moment, not least the size of the scheme. We are hoping that when it's up and running it will have around a million employers and 4 to 5 million members, which dwarves anything that exists at the moment.

The final question on this slide is how to access funds. This is around annuities, and I'm not going to go into that because that's a whole separate set of issues, but obviously if people want to talk about it when we come to questions, happy to do so.

So we're designing the personal account scheme for people at the bottom end of the income spectrum. These are people who are not saving, have low financial understanding and

are risk averse. And all our research bears this out and I'm sure all of yours does as well. And it makes the job very difficult.

We are looking at the personal account scheme having a default fund and then a choice for people of a small range of other funds, but what we expect is that the vast, vast majority of people will fall into the default fund.

We've been consulting on the nature of the default fund and, indeed, investment options and we're starting to think that probably target date funds will be the solution, with a relatively cautious risk allocation.

But one of the things we've looked at is we've modeled the impact on a pension fund of a very cautious start against a start in equities, and the actual outcome at the end is very little different. So what we're thinking of is that we will start very, very cautious for the first few years of people's accounts to give them a chance to get used to savings, understand a bit more about risk and then their portfolio investments will be diversified into slightly more risky allocations.

But, you know, all of this will be fairly cautious to take into account the people that we're dealing with. And it will be mainly passive management. There will be some active management but we need to be selective on that because of the costs.

And the prize – well, if we hit all of our objectives, by around 2050 we will have a fund of around 150 billion (pounds), annual contributions of 8 (billion pounds) to 9 billion pounds, 4 to 7 million members. This is a huge change, and it's one that, you know, we really hope that we're going to be able to pull off. But it's not without its issues.

Now, this last slide sets out some of the lessons learned, and this is where I learned my lesson about having somebody prepare slides for me rather than do it myself – (laughter) – because I wouldn't argue with any of these lessons learned. It's a big reform. We've built a lot of evidence, a lot of research to give credibility to what we're doing.

We've shared the load, we think, but it means that nobody – none of our stakeholder groups get everything that they want, which means that as we get more and more into the detail of the scheme, groups will complain that they're having to compromise in ways that they don't want to.

So for example, the existing pensions industry wanted a cap on the level of contributions that could be put into personal accounts, and we've agreed to that. But other parts of the industry – sorry, employers and individuals don't want the account because they want to be able to put more into the account. And there are various tradeoffs that have gone through in order to arrive at where we are.

But, as I say, nobody has got everything, and as we in the U.K. move towards elections next year, the atmosphere becomes more febrile and there is a lot of lobbying that will be going on that we're going to have to deal with.

Now, the two things that I would have put up there, I think – and the first one is communications, communications, communications. I don't think we ever doubted that communications would be a big issue for us, but I think we hadn't quite realized how big an issue.

Obviously we understood the need to communicate with employers, with individuals and with their advisors, but we've realized the need to get in there very early. We need employers' hearts and minds if we're going to deliver this, and the last thing we can afford is to have their views affected by a negative climate of opinion. And inevitably there are negative media stories. I mean, as we all know, the media aren't interested in positive stories; they're interested in big stories.

So we've had to get in very early and think about how we can try and neutralize as far as possible that climate of opinion. And we're having to talk to employers and their advisors probably sooner than we expected to, bearing in mind that they're not going to have to start doing this until 2012.

And individual communications remain a big issue for us. How much information do we give people? This is a default fund. People are automatically defaulted into it. In a sense, do we need to give them anything? We don't want them to be thinking about what they're doing, but of course we do need to give them information.

And one of the issues we have in the U.K., which I don't think you have, or to the same extent, in the States is the interrelationship with means-tested benefits. And there are a very, very small number of people who will end up probably on full means-tested benefits when they retire, which means they will lose their pension savings pound for pound and therefore won't benefit.

And this can be represented as mis-selling. Well, we don't think it is mis-selling but it does mean that we've got to give people a lot of information to help them make their decision.

And the compliance regime – again, I think we've realized how dependent on employers we are for this to work, and therefore we're putting in place quite extensive arrangements to support employers in the first place but also to ensure that they deliver the reforms for us. But as I say, I think the one thing that sticks in my mind is communications. You can never do too much of it. We'll never get it right, but we've got a long way to go on it.

So that's the U.K.'s story in a nutshell, and obviously I will take questions later.
(Applause.)

MS. MCCUBBIN: Thank you, Caroline.

Next we have Diana Crossan. Diana is the retirement commissioner of New Zealand. And since her appointment in 2003, Ms. Crossan has overseen, among other programs, the development and introduction of the KiwiSaver Program, a very thoughtful, ambitious and

successful effort to increase retirement saving and security among middle-income workers and families.

Diana?

DIANA CROSSAN: (Speaks in Maori.) I bring you warm Pacific greetings from New Zealand. And you might see that it's the top of the world – (laughter) – and the middle of the universe.

It's important in speeches to acknowledge the place we are at, and it's very nice to be back in Washington and I thank AARP for bringing me here, and I see that they have got a pretty rugged program, so I think we're getting the pound of flesh. But thank you, Matt (sp) and Janet and the rest of AARP.

Also, it's important to acknowledge the people who come before us, and we all know that we wouldn't be here if a lot of other people hadn't done a lot of work before us, so I just acknowledge those people. I've got far too many slides, far too much to say, so I'm going to flip through some of them.

One of the things to be aware of when we're talking about New Zealand, it's unique in the Western world, in the OECD, because it's a very small country in the South Pacific. And somebody once said, if you put a circle around New Zealand at 2,000 kilometers, you would get about 4 million people and a whole lot of seagulls. (Laughter.)

If you put the same circle around Washington you get about 200 million people, probably some seagulls as well. And if you put it around Helsinki, you get 39 countries and 400 million people. So we're in a very different situation, but it is quite important for us.

Some of the slides I have are about the Retirement Commission. I didn't – I was only part of the introduction of KiwiSaver. It would be nice – the minister of finance would love to hear the fact that I was involved in the key role of introduction of KiwiSaver but he thinks he was. (Laughter.)

So I don't have time to talk to you about the role of the Retirement Commission but I think it's important – you must wonder why it's called KiwiSaver. New Zealanders are called Kiwis and have been for a long time. Now, the native bird that is our emblem, like your eagle, is the kiwi, which we always think is really funny. It's a flightless bird.

We wonder why we've chosen the kiwi, but of course if you've got an isolated island, most of the native birds were flightless by the time people arrived because of course there were no mammals – no predators for birds and evolution meant that most of the birds in New Zealand couldn't fly. But we think it's a pretty cute motto and that's why New Zealanders are called Kiwis and that's why we call it the KiwiSaver.

The population trend is very similar to America and the U.K. New Zealand had the longest baby boom. And when I first was invited to speak in the U.K., I thought it might be

because of the men of New Zealand – New Zealand joined the war theoretically I think before the U.K. did because of the time difference. We're the first country to see the new day. (Laughter.)

So our men were – I said when I was in the U.K. once that our men were in Europe making their baby boom at the time. (Laughter.) But actually that wasn't true, apparently, but they were away from New Zealand for six years and there was no return because it was so far to go. So New Zealand – and it went on for a long time because we weren't devastated like Europe was, so it was a time of hope.

I'll move on, however, to the fact that we were the first country to give a state-funded old age pension. And I just have to read to you – it happened in 1898, so it was some time after Bismarck, but it was the first in the English-speaking world.

At the time, it was means tested. There was a lower rate for Mouri. It was not available to the “undeserving poor,” which I like. I think that's really interesting. What does that mean? Who chose, I wonder?

Anyway, New Zealand's psyche is about fairness and egalitarianism, and that's influenced the development of retirement income policies. We have free and subsidized health care. We have family support tax credits for children with families in the middle-income levels.

And when you're over 65 you get a citizens' pension, everybody, whether you're rich, poor, man, woman, black, white, whether you've set on the couch all your life or worked all your life. And you can keep working and get the pension, which means that we have one of the highest groups of people working over the age of 65.

The retirement income policies, however, have not been without their interruptions by politicians. And somebody described it once as an old-fashioned, wobbly doll which has taken many thumps from politicians, but after some gravity-defying oscillations it returns to the same position. It's a flat-rate, basic taxable individual state pension. We had, at that state, no compulsory private savings and no tax incentives. So New Zealand was in a very different situation.

In 1991, the age of eligibility was increased to 65. In 1993 there was a multi-party accord and the Retirement Commission was set up. In 1997, 91 percent of New Zealanders rejected compulsory saving. And that's a lot of people, isn't it – high, 91 percent. In 1998 the surcharge was abolished on New Zealand Superannuation, which is our basic citizens' pension, and in 2007 KiwiSaver was introduced.

And, as I see it, KiwiSaver was introduced to a very different setting that would be here or in the U.K. because we just had private saving and public saving with no tax incentives on any other saving, unlike your 401(k)s, unlike the IRAs in the U.K. So it was a very different setting. So when KiwiSaver was introduced, it was introduced into quite a different setting.

I'm not going to talk about why we have it. There was a lot of debate, too, about whether we have a savings problem or not. It depends on whether you use the stock method or the flow method. Eric has told a little bit about that and so I'll flick over that slide. I'm sorry to go fast. I can speak very fast if you want me to. Can you understand me? That's the most important thing. (Laughter.)

I came to university here a hundred years ago at Kellogg Management School in Chicago, and there was an Indian lecturer and I couldn't understand a word he was saying. And we were discussion, you know, how hard it is to understand different accents, and the woman from Argentina said, I understand the Indian guy well; it's Diana I can't understand. (Laughter.) I haven't got an accent, I thought.

Okay, on to KiwiSaver. Sorry, that's the – on to KiwiSaver. Okay, why did we introduce KiwiSaver? There was a lack of good private pension products in the market. The government wanted to encourage savings and had started a new workplace savings scheme for public servants.

The climate was right. The government surpluses meant that there was room for discussion about innovative new ideas. We couldn't introduce KiwiSaver now because we had gone into deficit, but the government was in surplus at the time, just two years ago. It's amazing, isn't it?

However, New Zealanders had overwhelmingly rejected compulsory savings, I said. An independent group was set up. We were asked – I was on that group. There were six of us. We were asked by the minister of finance to develop a scheme. We were not asked do we want the scheme; do we need the scheme? We were asked to develop it.

And so we put a lot of the effort into, what are the barriers of saving? And I think this is the first time behavioral psychology has been taken into account in setting up a savings scheme like this.

One of the issues, the psychology, was that there were too many problems. The finance sector was too complex, that people didn't understand what they should do, where they should do their saving. I mean, it's the same thing here; it's the same thing in the U.K.

So that was the first thing. The second one was that people lacked the willpower to overcome the good – they had good intentions. You would survey people and they'd say, oh, I intended to join but I never got around to it. So there was overcoming that. Those two things were taken into account when we designed KiwiSaver.

The design group recommended a kick-start to get people in it. So New Zealanders get a thousand dollars to join. Now, I don't know what the psychology would be in the United States, but in New Zealand we love thinking we're getting something for nothing. It's absolutely not true, of course, because it comes out of the taxpayer and it wouldn't therefore go into educational health or somewhere else, but New Zealanders love it. So the thousand dollars was really important.

And so there is a lot of discussion about you're mad if you don't do it. Why wouldn't you go and get your thousand dollars? I think that's really important. And the other thing was to make it easy for people.

So there's automatic enrollment. You have to be joined by your employer if you're getting a new job. So what they decided to do – there's quite a turnover of jobs over the years, so anybody joining the workforce or changing their jobs have to be automatically enrolled, and we'll come to more about that.

And the other thing is it's deducted at source, so it makes it easier. The person – we think – we believe that one of the psychologies was making that decision to take money out of your income whereas if it was taken out before you saw it – if people started a new job and 2 percent was taken off, they got used to living without it, even in the two months that they had to opt out.

I did a wiring diagram – and I won't spend time discussion this, but one of the things that New Zealand has done is use the Inland Revenue Department as the collection point. And we really struggled with what would be the best collection point. And the reason for this was that the private sector didn't want small amounts of money coming into their funds.

And also, we didn't want to give the employer – we didn't want to give the boss a lot of work, and already the boss is giving the tax department money through – and very high – it's high technology.

The other thing – one of the things that's a real nuisance when people like me come here is that our systems are very different and we've got to be very careful when we talk about the context of KiwiSaver and the United States.

For example, our health system is different. Our education system is different. But one of the big differences right here is that most New Zealanders are banked. Most New Zealanders have a bank so it's easy. They also – the tax department, they have high-tech payroll systems, even in very, very small companies.

So it was easy when the Product Working Group was thinking about it. We were thinking already, they are required to take out student loan repayments, so it would be very easy just to add another one. And so it wasn't expensive. The administration to the employer wasn't expensive. I said I wasn't going to talk about that and I've talked for far too long.

Okay, let's have a look at KiwiSaver today. It's voluntary. It's work-based but it's open to all. You can – anybody can join under 65. You can't join over 65. It's automatic enrollment when starting a job, and you get eight weeks to opt out.

It's portable, of course, from job to job, which is one of the reasons we needed it. The clunky old superannuation schemes that we had before that the market hadn't kept up to date

meant that people would leave their job because the work – the labor market is far more mobile than it used to be when I was a girl, when my parents worked.

And so the finance sector hadn't kept up and the system was that people would join a superannuation scheme – I'm sure it's the same here – and then five years later they would change jobs, they would cash out their money, they'd buy mag wheels for their car and they'd start again, and it was just such a waste. So there was an awful lot of mag wheels going around in New Zealand. (Laughter.) So it's really important.

Savings are locked in until the age of eligibility. They've linked it to the age of eligibility of New Zealand Super rather than retirement. Well, it's illegal to have a retirement age in New Zealand and has been for a long time, so it was linked to that. And there is a choice of scheme and provider, and there are far too many. That's one of the negatives we'll come to in a minute.

So KiwiSaver today – 2 percent contribution. You can see up there. There's been changes in some of the details. We had a change of government four days after your election. We went the other way, which was interesting. So there are issues for the individual, the employer and the government you can see up there. I won't read them out. I'm scurrying through because I know we're running late.

Okay, let's look at some of the facts and figures. Twenty-five percent of the population has joined KiwiSaver – pretty amazing really when you think 17 percent of those are kids and you can't join over 65. You'll see there that 39 percent came in through auto-enrollment, and a lot of people who were in the workforce already opted in, of course, you'll see.

Thirty-four percent of those auto-enrolled have opted out, so that's about a third have opted out. People ask me why do I think people have opted out? Partly there is a group who maybe can't afford it. There is a group who are already in some other scheme. And there's a group who think they don't trust the government or the finance sector right now, so they may join at another time.

I was going to talk more about the Product Working Group's recommendations – which were for education – first, then our regulation and then the scheme – the government didn't take any notice of that – and introduce the scheme quite quickly. But the government did give the Retirement Commission some money for education.

We developed a whole lot of material for employers. We've developed a booklet which I think you may have in your pack. Did it arrive? So you have the booklet. And if you look at this, this is not promoting KiwiSaver because our role is not to promote KiwiSaver. That's the role of the private sector. This is to help people make a decision about whether it's right for them. New Zealand still believes, because it's voluntary, that people should make those decisions themselves but with good information.

The other thing that – Caroline talked before about communication, communication, communication. In the Retirement Commission we spend – we have the best free, independent financial Web site in the world. (Pause.) (Laughter, applause.) Thank you. And we spend two-

thirds of the money we get for that Web site to develop that Web site on promotion and one-third on the development.

We think, what is the use of having the best free, independent financial Web site in the world if people don't know about it? So we spent quite a lot of money on introducing KiwiSaver to workers and to employers.

And employers, one of the things I know you're going through is that whole thing of not wanting to give employers more work. So what we did was we took over the work from them. We developed this letter that went to them that said, "Who is going to help your employees with KiwiSaver decisions?" and we wrote it to the boss. We found – we got on all the systems we could and found the bosses.

And on the back it says, "Actually, you are" because inside is all the material they need to hand out, and it was free. And we had all this material for them to hand out to their employees. And we thought that was really important.

Very quickly, to move to evaluation – and now I've talked too long and too much about KiwiSaver but I think the evaluation is really important. And because our scheme is already going, unlike yours and the U.K., which are building them, we're now looking at evaluation and looked at it from day one.

One of the big problems was, what do you evaluate? What is KiwiSaver for? And we had an academic have a look at this and come up with – and, yes, we do look to the academics of the United States. Thank you very much for that. (Laughter.) We also look here for a lot of other things as well, but we do keep in touch with Boston and several other organizations, including yours.

One of the big problems was there were 34 different reasons for KiwiSaver. So how do you evaluate? You know, there were just so many. The word cloud gives a flavor of the outcomes that the report identified. It was quite a challenge to sort a sensible evaluation program.

But we do have an evaluation program. It's six years of cross government. It's too soon to tell whether it's working. The first household level statistics on saving should be available in 2012, and the longitudinal study, we're very lucky that we got questions into the longitudinal study, so we will be able to see the same families over time, and we think it's really important.

We've got to be very careful about thinking that it's working now. How do we know that a quarter of New Zealanders are not just substituting savings from other places? I think that's really important.

So what are the merits? The merits are that it complements the state's provision. Unlike the British system, the KiwiSaver was developed more for middle New Zealand. New Zealand's Superannuation, or our state pension, covers our people in the low income. If you're a low-income person in New Zealand, some people get an increase in pay when they go on the pension.

So for low-income New Zealanders, we were not so worried if they weren't saving. We would prefer that they bought their children shoes and sent them to school camp than to save if they're on low income. But it's that middle group where the private sector wasn't developing schemes that they could use. So it's really important.

You can see that you can also use KiwiSaver for your first home purchase. And the reason for that was we found 18- to 24-year-olds would not join a scheme when you lock it in until 65. For goodness sake, at 20 you're never going to be that old. (Laughter.) You know, you're never going to make it to there.

So one of the things they do think about is their first home. So we built in a – you can, under certain circumstances, get money out of you KiwiSaver for your first time. And there is support from government to help you with that as well.

So what are the issues around KiwiSaver? Is it needed? Is it enough? What is the ratio of savings substitute as I see it? What about the cost to the taxpayer? Huge cost to the taxpayer of introduction of KiwiSaver. Would it have been better to have put it into educational health or some other place?

Retirement income policy has become more complicated and something else for politicians to have a go at, and they do, of course. The conservative funds we've – (unintelligible) – very conservatively in the beginning, as Caroline was talking about. That's what the British are going to do and that's what we have done, because we wanted Ms. Smith from Amaru (ph), which is a small town on the South Island of New Zealand; we wanted her who had never had a savings scheme before to not see money dropping hugely in her first few years.

Of course, unfortunately, things happened in America and other countries that have meant that New Zealand – we are such at the whim of the global market even though our systems have held up fairly well. Ms. Smith in Amaru probably saw a drop even in her conservative funds. But had she been in other funds it would have been devastating.

One of the things that we also wanted was the public to be able to compare fees. How do you decide what scheme to join? And we wanted to compare fees. And just to tell you, for our Web site – that best Web site I talked about before, the best in the world – we decided that we would have a fees calculator. I mean, there were already 34 calculators on the site for other things, for mortgages and student loans and things.

But we decided to have one for fees of KiwiSaver. And it was so difficult to develop because companies still hide fees in all sorts of ways. They call it other things. They call it all sorts of stuff. So we dragged it out of them and we dug away.

And one of the things that happens, of course, is if you get enough and then you write and say, you're one of the only five companies that haven't given – I mean, we did everything we could – bribery, whatever – then of course we couldn't get the actuaries to agree.

So we had six actuary companies – representatives from six companies in our boardroom fighting about how our fees calculator would look – very hard. I mean, it was hard for us; imagine what it's like for the punter. Really hard.

Okay, so I'm going to skip over the last couple of slides. The Retirement Commission has responsibility every three years to look at the Retirement Income Framework and review it, and 2010 is our next review. And the last slide just shows that our Superannuation, our state pension, has taken away poverty amongst older people in New Zealand.

That's one of the most positive things about the state pension is that we don't have poverty amongst older people of any – and they're very small, you'll see. We have more problem with poverty amongst children. It's just something that the government is trying to deal with now.

So I'm going to leave it there. I'm happy to answer any questions. Thank you. (Speaks in Maori.) (Applause.)

MS. MCCUBBIN: Thank you, Diana. That was great and very informative.

Our next speakers will explore some of the details about how auto IRA could work, and provide some perspectives from the employer and pension plan professional points of view.

Denise Farris is the founder and managing member of the Farris Law Firm in Kansas City. She is also a leading member of Women Impacting Public Policy, or WHIP, a member organization of the Workplace Savings Coalition. And in that capacity she has had the opportunity to talk to a number of small business owners about the auto IRA.

Michael Kiley is president and CEO of Plan Administrators, Incorporated, a company dedicated to providing retirement plan services tailored to small businesses. And he's done quite a bit of thinking about the mechanics of auto IRA and how to facilitate its operation.

And David John is the managing director of the Retirement Security Project and one of the authors of the auto IRA proposal, making him particularly well suited to helping us understand the finer details of the goals of the auto IRA and how it would work in practice.

So we're going to have a panel discussion and then we're going to invite your participation, invite you to ask some questions and hopefully get you some answers. And our discussion is going to be moderated by Judy Miller, the chief of actuarial issues of the American Society of Pension Professionals and Actuaries, and she is filling in for Brian Graff, who had a sick child this morning. And so I know Judy will do a great job for us.

And I should say that ASPPA is a national organization of professionals providing consulting and administrative services for retirement plans. So I'm sure Judy has her own ideas for how auto IRA could work. So with that I will turn the mike over to Judy to moderate our discussion.

JUDY MILLER: Thank you very much. I'm not going to take up much time for my own comments here. I'm going to go immediately to Denise, who is going to talk about it from a small employer standpoint. One of the primary concerns in setting up these arrangements is what's the impact on the small employer?

So Denise, thank you.

DENISE FARRIS: Thank you. First of all I will apologize for subjecting you to an Ozark hillbilly twang after listening to these lovely accents for the first part of the program, but it is what it is.

My name is Denise Farris. I am the owner of the Farris Law Firm, LLC in Kansas City. I am an award-winning commercial construction and business lawyer in the Kansas City metro region. I've received a number of small business advocacy awards for the state of Missouri and Kansas and also at the national level and am honored to be able to kind of be the voice of small business.

I mention the awards, though, not really to be pounding my chest but primarily to talk about how we tend to perceive people based on their current position, but at one point in my early career, in my 20s, I was a single parent, divorced with no college education, and after an employer went bankrupt was homeless for approximately six months and was part of what we would call the disenfranchised, or I think Caroline coined the term the "undeserving poor."

But how I got involved with the AARP and Brookings Institute review of the auto IRA is a very close friend of mine, Ann Sullivan, with the Madison Services Group here in Washington, D.C., – Ann and I have had the opportunity to work together on a number of WHIP policy initiatives. And Ann called and was working with AARP and wanted to pull together a group of small business owners to attend an informational meeting and get feedback on the program.

So I was the facilitator of pulling together a group of small business owners in the Midwest region. We're supposedly the microcosm of the average whatever. And so we pulled together all of our average small business owners, and I was really the facilitator and just sitting in on the meeting.

And the meeting was great. It was review and critique and constructive questions and comments. And David was there and Laura Boss (sp) was there. And a question came up that caused me to convert my role from a facilitator and kind of impartial observer to really thinking hard.

And the question was, is it fair to have an automatic IRA program that potentially forces low-income employees to invest in a savings plan where they barely have enough money to live off as it is? And what about early withdrawal penalties? Isn't that somewhat unfair?

Now, I'm sitting in a group of my peers, many of whom did not know my earlier story. You know, when you're trying to pretend to be a successful businesswoman you don't tell

people that you are evicted and your car was repossessed and that you lived on couches for six months.

And you also tend to kind of forget little baby steps that you took that moved you from one position in your life to another. But that question caused me to really invest in the dialogue in a whole different way, and it caused me to go back 30 years and remember who I used to be and who I am right now.

When I lost everything – and for those of you who have known people who have been depressed or have known people who have fallen on hard times or know people right now who have found, through no fault of their own, they are now unemployed, you lose your power and you become very depressed and it is very difficult to take one step after another.

I ended up getting a job at Arthur Young as a secretary, and part of the benefit package of that job was investiture in a 401(k) program, that while it was not automatic, after six months your HR person came to you and said, you now have the opportunity to participate in this program.

Now, I still was broke. I had a little bit more money. I had managed to get a HUD apartment, but I was subsistence living. Subsistence living, for those of you who haven't had the pleasure of it, means that when your car breaks down you have a choice of paying for car repairs so you can get to work, which means that now the gas, the groceries, the utilities and obviously your movie funds are no longer available.

So at first I was thinking, you know, there's no way that I can do this. You know, basically your salary is your child care expenses. But then I thought, you know, I'm kind of embarrassed to say that I can't do this so I'm going to try it and if it doesn't work, it doesn't work. So I put the bare minimum that you could put in there, and it was an employee match program.

But what that question in Kansas City reminded me of when David was there was there is an intangible, subjective, immeasurable psychological component to programs like these that allow the disenfranchised, the powerless to realize you can take baby steps to take your power back. And while it wasn't a huge amount of money, bit by bit I was able to pull together a savings plan and kind of look at it growing month by month and started thinking, you know, I can take my power back.

And that led me to look into getting back into college and I was able to find a program where I could go to college at night and still work fulltime in the daytime. And there were also several times when I was able to draw on that account during my major emergencies.

And, yes, the penalties were awful, but you also have to understand that when you are dead broke, everything in your life has a penalty. You are such a bad risk that you can't get credit unless it's at the 18-to-23-percent margin anyway. You can't get furniture unless you lease it or you buy it at a garage sale. You miss one payment for a credit card and you're bumped up into the higher percents anyway.

So from a very poor person's perspective, the early withdrawal penalties on these plans are really a bargain because they're very rarely 18 to 23 percent. And it allows you to tide through and then you still keep it up.

So by the time I finished my college and got my law degree and was able to really create a very strong savings plan, about \$8,000 of that early plan came from my time when I was so poor. And while that may not be a huge amount, the psychological impact of it was huge.

And so that's the story that I would want to be sure and share with all of you is don't immediately assume, if you've not stood on the shoes of the extremely poor, that some of the aspects of this program are as negative as you might think they are. The intangible psychological benefit of it is immeasurable.

So that caught my passion. That really pulled me into how important these kinds of programs are. And at that time I really became actively involved in soliciting the opinions of the number of small business owners.

Currently my law firm ranges from myself and one employee at the very smallest up to eight employees based on what our legal requirements and needs are. And my efficiency as a small business employer is based on what I invest in technology that maximizes my efficiency, and in really good employees.

And as a small business owner, it's extremely difficult for me to be competitive with large corporations that can really give the best benefits possible. So any kind of a program like this that allows me to assist the employee in expanding the benefit options but also do it in a manner that allows me as a small business owner to have the flexibility that I need is really important.

I took a very hard look at this program in terms of whether it was something that we could use. And understand, even at my largest I would always be in the – I wouldn't be required to implement it. I think the proposed legislation is 10 or more.

But this is a program that almost all of the small businesses that I work with are very, very interested in because it is very simple. We like the "IRA for dummies" concept. Small business owners don't want to have to spend a huge amount of time trying to understand a very complex scheme. The implementation of it is easy. It's essentially – for most of us who use payroll processing systems, it's basically putting one more check box on the payroll withholding form.

The main thing that I and small business owners would be interested in is knowing – well, let me backtrack. Virtually 95 percent of the small businesses that I have polled through LinkedIn, through Facebook, through the actual meetings that we've held on it, absolutely support the concept. The concerns are employer administration requirements:

Is there a way to avoid employees coming in daily and modifying the program because that's a too much of a drain on administrative time? What kind of tax incentives are there for the small business owner to implement it? How the heck do you determine what you're going to do with the money? And can that really be made as simple and painless as possible? And is there any potential unseen liability for the employer?

And those questions were all thrown out, and AARP has been great about very aggressively addressing all of those particular questions. And overall, the concept in the small business community has been extremely favorable, and that's why I'm so privileged to be able to work with this group and support the concept.

MS. MILLER: Thank you very much. (Applause.)

Denise brought up some of the concerns that she as a small employer has about implementation, and the next person that we're going to hear from is Michael Kiley, who is CEO of PAI. They are a record-keeper that specializes in what we call the micro market, dealing with very small employers. And he's going to talk about how mechanically this could operate without imposing a severe burden on the small employer.

Michael?

MICHAEL KILEY: Thank you. Thanks very much for the opportunity to be here and speak with you. I will be brief. The message that I want you to hear quickly – and I believe we have some slides here, and I'll summarize the slides that you'll see.

The message that I would want you to hear from our industry is simply this: This is not a solution that we have to build; it's a solution that we have to back up to. Everything that is required for the auto IRA already exists within the system. You have payroll software and payroll service providers who can already handle the collection of the funds in very simple forms, electronically.

You already have 401(k) record keepers who have the ability to manage rules – discrimination, contribution testing, all of those sorts of things. An auto IRA is actually going to use a subset of those skills. And you have participant servicing and employer servicing to keep track of those plans, generally on the Internet and actually now to the point where you can get them through your digital device – your personal digital device.

So the strongest message that I would want you to hear from our industry is that we're very much in support of this. I'm not going to go into the philosophy. You've heard a lot of great things in that regard. But essentially using things like Diana's letter to employers, we can initiate the program this way, introducing people to it.

For those people who are choosing not to use AARP payroll service provider or payroll software, it's actually easy to use their existing systems to service these accounts purely by an 800 number, a toll-free phone call.

They can dial into a phone system, an automated phone system, which we already have for our existing plan provisions. They can make investment selections. They can change their bank. For example, if an employer would choose to change their bank, we can accommodate that with merely a phone call, and the average phone call is just going to take a minute or two.

The types of things that the employer and the employee are going to be able to get access to is their account balance. They can get information on the funds. They can get this electronically delivered to them. They can get this delivered to them by paper. We're trying to cut down the amount of paper that we might be sending, for both the green reasons and the economic reasons, but it is available.

We would imagine that we would see the exact same rates that we're seeing today in terms of utilization of those two tools. As much as we all thought we would be able to shut down our voice response units when the Internet came along, in fact we still have a lot of people that like using those voice response units and they're served well in this environment.

We'll touch on the expense side of things. Basically what I would want you to get out of this slide is that within the industry we see that we would expect a program of this nature to cost something in the area of about \$4 per month. We would have some withdrawal provisions within the plans, intended to keep the money working for the participant.

So essentially, if you were going to change employers and roll over to an IRA or another employer program, you could do that transfer at no cost. But if you were going to withdraw and cause a taxable event and exhaust some of your retirement savings, then there would be a fee for that.

And in the interest of brevity I'm going to close there, and again with a reminder that in the recordkeeping industry, we view this as actually delivering on a subset of things that already exist, in cooperation with the payroll industry, and we find that this is something that's very simple and we're excited to be a part of.

And with that, David John. (Applause.)

DAVID JOHN: All right, I'm actually batting last, and as you all know, that's the weakest position. So you've heard all the really key things going forward here.

Let me stress one thing that was implicit in the presentations from both the people from the U.K. and from New Zealand, which may not have caught your attention quite as closely as it should have, which is that all of their programs were based on a cross-ideological, bipartisan, cross-party basis. That meant that the program that they came up with was political sustainable, that it wasn't something that if there was a change in power it was going to be completely tossed out and they'd start all over again.

That's a rather crucial thing and that's something that we have had to date here. Mark Iwry and I developed this program. At the time we were both people in the Retirement Security Project, which is a joint venture of Georgetown and Brookings.

Mark, at the time, was a nonresident senior fellow at Brookings. I am also a senior fellow at Heritage. This was a proposal that was endorsed by the Obama campaign and it's in the Obama budget. It was also endorsed by the McCain campaign. So that is something that we have worked very hard to achieve.

Now, when this happens, it's going to happen in large part because of the discussions that we have had and others have had with most of the people in this room. And if we haven't gotten to you, we will at some point or another. AARP has played an absolutely crucial role in building consensus for this and helping with studies and that sort of thing. We have also received great help from the staff of Senator Bingaman and Congressman Richard Neal and a variety of others in the House and Senate.

This is a work in progress, however. It is not started yet in the legislative process. It's rumored that legislators occasionally have opinions of their own and may want to tinker with some of the fine points. It's also rumored that there may be people within the administration themselves who may want to put their own stamp on this despite the fact that Mark, my co-author, is now at Treasury. So what I say today is the way it stands at the moment.

Let me just make a couple of very quick points and then we can move into the really important thing, which is your questions and comments, et cetera.

This applies, as Denise said, to employers of 10 employees or more at this point. One of the reasons that people don't participate in IRAs right now is because they're nervous about it. If you're lower- or moderate-income worker, you look at something like the bank or the securities house or something like that and you think, this really isn't intended for me, and besides, I'm worried that I might be taken advantage of, or something along that line.

That is why the workplace aspect of this likewise in the U.K. and in the New Zealand setting are so absolutely crucial, because it's someplace where people are relatively comfortable and where they can make decisions and be guided into decisions that are in their best interest and where they have a higher confidence that this is in their best interest.

We anticipate that when the program comes out, we will have a variety of providers. We are looking at this point that an employer would have the ability to go onto a webpage – this is somewhat similar to what you have now in the U.S. for Medicare Part D – you could put in a little bit of information and you could be led from that point onto a page that has a variety of providers.

We anticipate that the kind of provider that Michael is talking about is going to be an absolutely crucial element to this program. We also anticipate that in some cases it may well be that the local financial institutions, whether those are banks, brokerage houses, mutual fund providers and the like, may choose to participate in this.

It may well also be that there is something called the R Bond. The R Bond is frankly the I Bond with a much cooler letter, the I Bond being an inflation protected bond which would

allow people to send their money perhaps to Treasury, similar to what New Zealand is focusing on.

It would be temporarily invested in an inflation-protected bond, and once it reaches a certain size, that money would be then rolled over, probably on a random selection basis, to a private provider to manage. That's in the event that the individual chooses that.

It is absolutely crucial that this have a rollover feature because the last thing we need to see is a system for moderate- and lower-income people that they can't win in. We don't want a second-class retirement system; we want everyone to have the opportunity to have a first-class retirement system where they do have the opportunity, through their savings, to build up enough for a comfortable retirement system.

We anticipate that other than a perhaps very simple basic accumulator account for first-time savers – which could be an R Bond, it could be a stable value fund, it could be a money market mutual fund, it could be a bank CD or something along that line, that the next level would be some form of a diversified fund, somewhat similar to what they're talking about in the U.K. How that precisely is structured or defined is open for debate at the moment.

Last but not least, a couple of things that have been raised here. We are, as Eric mentioned, looking at annuities. We're looking at that, but that will be a separate step. That will be a step that comes at some point in the future. Let me point out very immodestly that if you picked up one of these, there is an article in there that summarizes some of my colleagues' and my thoughts on annuitization, which are separate from the auto-IRA, I might add.

The tax question, whether it will be a Roth or a traditional, again is open for question. It so happens that there is an analysis that for lower-income workers it may well be that a Roth is better off for them because they don't necessarily have the taxable income or the taxable liability to have to – that would give them a benefit if it is a traditional system. But, again, that's something that can be discussed as we go forward. It may well be for simplicity's sake we do decide to go forward with the traditional IRA.

We are looking at a system where an employee could get in and out on an annual basis to try to prevent the kind of situation that Denise mentioned where they have people going in and out of the system on a constant basis.

And, last but not least, we are trying to structure this – and I think Michael's system does this – so that there is no liability for the employer. If the employer makes a good-faith attempt to find a good provider – and we'll probably have to find a way to vet those providers in advance – and the employer – a key point – and sends the money to that provider, that at that point the employer has met their responsibilities.

So with that, let's open it up. (Applause.)

MS. MILLER: Thank you.

I'm going to kick it off with one question and then we'll throw it open to the general group. I was struck by the fact that in New Zealand the saving system is geared toward moderate-income people as opposed to low income.

You've mentioned looking at Roth because of the tax implications for lower-income people, and you've talked about a secure initial investment option. Are there other accommodations that you see us making because we're really, frankly, geared more toward the low- to moderate-income worker?

MR. KILEY: Mechanically, not particularly. I think that would be more of a philosophical question.

MR. JOHN: Well, the key is to make sure that it is simple, understandable, and most important, that it gives at least a strong probability of a positive outcome. It so happens that if an individual is a very low-income worker, they're going to receive almost a decent retirement compared to their income from Social Security.

And one of the reasons why we have focused very much on having automatic enrollment is that the individual is going to know best what his or her financial situation is and what they can afford. And we want to give them the kind of flexibility so that if something doesn't work for them, they can say no.

MS. FARRIS: And then I just want to add – you know, I think it's so easy for us to speak in pigeonholes. I'm a great example that the low-income worker doesn't necessarily remain the low-income worker for their entire life.

Everybody wants to improve their standard of living, and I think programs like this, whether you implement it and gear it towards low income or middle income are going to empower people to recognize they have the ability to move upwards, based on, you know, how hard they want to work, and implementing basically very simple disciplines.

You know, the other thing that that account did for me is I wanted so much to contribute to it that it made me take my paycheck, cash it out, and stick it in management envelopes. I had my rent, my utilities, my gas, my groceries and my fun. And those are the little baby steps that you take that I think programs like this allow low- and lower-to-moderate people to start implementing.

MS. MILLER: Thank you.

Janet, I'll turn it back over to you for the –

MS. MCCUBBIN: I actually have a follow-up question and then we'll take questions from the audience.

One of the things we've been sort of struggling with in thinking about auto IRA is how can the government serve as a facilitator and offer information and services to small employers

and low- and moderate-income workers without taking on an inappropriate role in the financial sector? And in thinking about how we would solve that problem, the Internal Revenue Service did not come to my mind first off, and so I was surprised that Inland Revenue is taking on this role in the KiwiSaver program.

And so I was just wondering if perhaps Diana could comment on how Inland Revenue came to be, and do people view Inland Revenue differently than Americans view the Internal Revenue Service? (Laughter.) And then perhaps – and then perhaps Caroline could say how they wrestled with this sort of public/private issue in the United Kingdom.

MS. CROSSAN: Thank you. No, the Inland Revenue in New Zealand I'm sure is viewed the same as it is here but one of the things that we tried really carefully to do was to use the Inland Revenue as a post box. It had no role other than that the money would go through the Inland Revenue.

So in some ways it was just a code on the employer, on the payroll system, as we heard before, just ticking another box. It was easy, it was constantly saying, how do we make it easy for employers was the beginning of that. And the idea of using the Inland Revenue Department came out because every employer talks to the Inland Revenue Department through payroll systems, and it was the easy way to do it.

Then we had, what are we going to do about Inland Revenue being – having negative – people feeling negative about the Inland Revenue Department? But we realized of course there are issues – they have issues with the finance sector as well. New Zealanders don't trust the finance sector, particularly now, for goodness sake. Why would you? So we have to build the trust in the finance sector.

So we decided to try and find a way of introducing the fact that it would go through Inland Revenue. We missed it with some people. They misunderstand completely and they said, I'm not giving the government my money. So we did have some issues there.

We believed that the private sector would do more of the promotion than they did in the first instance. So the first couple of years we have been very aware that the Inland Revenue set up a KiwiSaver unit – and you'll see there was a logo on my slides, a KiwiSaver logo – to get away from the IRD logo.

So there was a bit of branding that we did around KiwiSaver as an entity of its own and now we're starting to move more to the private sector, the companies that have the accounts, promoting KiwiSaver everywhere. And you see it in bus stops and in windows, on television, online.

The Retirement Commission, which is a slightly more independent organization, we were very careful that we didn't promote KiwiSaver, but we couldn't ignore it either. So we talked about, is it right for you? And we gave the employer, as I said to you, lots of information to give to the employee.

Promotion, promotion, promotion was important, but whose role is it to promote the scheme? We believe strongly that it's the private sector's role, that it's the company who gets the money in the end's role because they're encouraging you to come to them. But in the first instance, we thought it was quite important.

One other thing that we – you guys haven't made these decisions yet, I think. We had – if you think of the wiring diagram. So the money comes from the employer – from the employee, their own income, from the employer through into the IRD, and then quite quickly out to the private sector.

Some of the private sector companies say because the fees are so low and they make little money out of KiwiSaver, they want to get the customer and get other money from them because they make very little money because the fees are low. Some of them suggested – although they didn't pull this off – that maybe they needed a back office – shared back office, a shared administration. We don't have that with IRD. It isn't the administration, remember; it's just a post box.

So I hope that answers the question. But some of the companies talk to each other – not for long because they are really competitive – but the concept of having a shared back office would have kept it cheaper, but they couldn't come to that, so they've all got their own back office.

MS. ROOKES: Yes, all that's been said is actually very, very familiar. We wrestled for ages over the role of our Inland Revenue on the grounds that's been said, that every employer has a link with the Inland Revenue so there must be a role there for the Inland Revenue.

In the end we decided against it on the grounds that our revenue systems, unlike the New Zealand ones, are so clunky that it would have restricted what we could do. So the Inland Revenue doesn't have a role in our scheme. The payroll software deducts the contributions and they go straight to the provider, whether it's personal accounts or the private sector providers.

In terms of the information, there are some real issues there. We've talked up here about promotion. Another word that crops up in the U.K. is "advice." And we have to be very, very careful that we are not seen to be giving individuals advice as to what they should be doing. That is not the role of government. And, equally, employers are concerned that they're not seen to be giving advice.

So where we are at the moment is we are working with all groups – employer groups and the existing industry – to come up with information – information sources that hopefully will enable people to make the choices that they need to make without actually advising them to go down a particular route.

But just on a final note, we have actually done quite a lot of research as to who people do and don't trust. And it's quite interesting but there are arguments – there are circumstances where they'll trust the government, there are circumstances where they won't; circumstances where they'll trust private providers, circumstances where they won't.

So there is no right answer to this other than that we do have to ensure that we, as government, are not advising people, are not pushing people in a particular financial direction.

MS. FARRIS: I'd like to also say, from a small business perspective, the Kiwi \$1,000 figure sure sounded very attractive versus, you know, \$25 per employee to a maximum of 250 (dollars).

And I guess the urging that I would give is to try to make the argument for as generous a tax incentive as possible, somewhat similar to a dependent child-care credit that you get because then it's the carrot that drives the small business owner to really want to pay it. Why would you want to leave a thousand dollars on the table? And there's just something that's nice and clean about the figure 1,000, isn't it? (Laughter.)

MS. CROSSAN: One thing, Janet, I should add is the Inland Revenue Department in New Zealand had a major revamp about 10 years ago. So the country knows that it's efficient. It didn't necessarily want to give money to the government. But New Zealanders know that the Inland Revenue is now one of the most efficient government departments we have. So that was another thing that helped us, I think.

MS. MCCUBBIN: Let's take a question from the floor. Yes, Deb?

Q: (Off mike.) Thank you so much. I would like to talk a little bit about fees, and in particular for New Zealand and England, how you were able to keep them low, because it's so important particularly when you're talking about these small dollar accounts. And I guess, David, also on yours where you'd randomly assign accounts, I guess I worry that people could be randomly assigned to very high-fee accounts.

I'd also like to put a plug – the Aging Committee is releasing a JO report on this very issue today.

MS. MCCUBBIN: (Inaudible.)

MS. CROSSAN: Fees were really interesting for us. We looked at the British stakeholder pension which was introduced in 2000, I think –

MS. ROOKES: Around there.

MS. CROSSAN: – and they were told that they must have very low fees – they were given an amount, I think 1 percent. And it was – I mean, with all due respect, it was a resounding failure, stakeholder pension, not because of the fees only but there were lots of other things. So we looked very closely at that.

We also have a default system. Most New Zealanders have joined – or many New Zealanders – about 40 percent of New Zealanders are in the default system, which doesn't

surprise me because most people aren't interested in money as long as they understand that somebody else is looking after it. They've got other things to do with their lives.

So they joined up but they didn't actually choose a provider. So we have six default providers who went through a process to become a default provider. This is how the fees were kept low, because in that process the negotiations with the independent committee that was set up by government to choose those default providers constantly said to them, you've got to bring your fees down, and then competition took over.

The fact that the fees of the default providers were reduced and reduced as low as they could get it, the other companies couldn't then come out and say, well, we're going to charge you "squillions."

What did happen, of course, is that some providers said, we'll give you more service and charge more and we'll take more risk and charge more, and those are smaller companies that people have chosen to go to. So that's how the fees were – the words are something like "not unreasonable" in the X.

But it was just that process of choosing the default providers and bringing their fees down and the discussions of their selection. There were more companies wanted to be default providers but only six were chosen.

MS. ROOKES: In the U.K. I guess the personal account scheme is probably the equivalent of the default providers. And we're aiming for the personal account scheme to have an annual management charge or equivalent of 50 basis points, which compares, as Diana said, to stakeholder accounts now, which are 1.5. They started off at 100 basis points; they've now gone up to 150.

And the way that we intend to deliver that is – I guess there are three things. One is the personal account scheme will not be allowed to market and promote itself in the way that private sector companies can, so that will reduce costs.

It's going to be primarily an electronic system, and we know that a lot of existing providers, they're looking at personal accounts with envy because the business model that personal accounts is intending to introduce is so modern compared to a lot of the business models that they're working from, which are expensive.

And the other thing that will help is the scale of it. It is going to be huge, so we hope that, you know, with economies of scale we can keep the costs down. And as Diana said, with the personal account scheme operating at a lower charge level, we hope that that will have an impact on the rest of the market.

We are not setting limits on charges for schemes outside of personal accounts. I mentioned, when I was talking, that employers can use other schemes as long as they are qualifying schemes, and to qualify, the main focus is on the level of contributions, not on charges. But we do actually have a legislative provision that if we found that charges outside of

personal accounts were very high, we could actually set a charge cap for qualifying schemes, but it's not where we're starting from.

MR. JOHN: And in our case, what we're looking at at the moment is that the random selection process, whether it's at the beginning or whether it's at the time an individual rolls out of an R Bond concept or something like this, would be a series of, let's just say for the moment, six to 12 that have been – systems that have been chosen through an RFP, through Treasury and/or the Department of Labor or a combination thereof who offer their basic services, which is what the auto IRA is intended to be, at a very low cost.

And it may well be that there are other providers or other financial services firms which also choose to participate – we hope so. This is what happened with the original IRA when it was set up 30-plus years ago. But they may have higher charges but they're also ones that are going to have to go out and solicit employees to move to that, and people will have to choose to do so. And of course there will be full disclosure of what they're paying and all that sort of thing. But our aim is, again, to keep fees as low as possible.

MS. MCCUBBIN: Other questions? Pete?

Q: Hi. Pete Brady from ICI. Just to follow up on the cost issue. If I'm doing the math right, sitting down, \$48 seems very efficient as far as all the services you're providing. But as far as basis points, you know, \$1,000 account, you know, is close to 500 basis points, and you need an account to get well over \$10,000 to get just the recordkeeping part under 50 basis points. And that doesn't count any of the other investment charges; it's just the recordkeeping.

So I was just wondering how this very low cost, which I think is \$48, fits into the target that we're looking at, which may take several years to get up to a balance of \$10,000 or so, how that all works out.

MR. KILEY: Well, I'm not exactly sure how to frame the answer. The \$48 carrying cost, number one, is just proposed. There's a couple of ways to get at those carrying costs. Actually \$48 is in line with what my company charges today, quite close, for a 401(k) plan, and we're doing 1,500 to 2,000 brand new, no-asset startup plans every year. So on a basis point arrangement, it seems acceptable even in the voluntary market.

Over time, as people are adding assets – and, again, as long as we do a good job with the education and we do a good job with retention – I think you'll see that that approximate charge of \$48 is going to leave people – as they build their account balances, it's quite a nice bargain.

MR. JOHN: And may I make a point? We focused on the small accounts, and this has been one of the discussions from the very beginning when we started working on the automatic IRA, but one of the advantages to this is that we start people when they're at, say, 21 or something along that line, and they're going to build savings.

And the next step in all of this, if we're going to come up with an efficient U.S. retirement system, is to come up with an automatic rollover where basically that money follows them from place to place with virtually no effort on the part of the worker.

So once a worker has reached, say, \$3,000, \$3,500 or something along that line and they go into this, as they get older, this is going to be money that is rolled into a 401(k) plan and then it could be rolled back out to an auto IRA at some point or another. But this is going to build to higher and higher amounts. So it's one thing to look at the beginner savers; it's another thing to look at how this fits in with the overall U.S. retirement system.

MS. FARRIS: I wanted to supplement that too, that my little \$8,000 that I started when I didn't think I could, the automatic nature of it, I can't stress how important that is because you don't think you can do it until somebody challenges you with whether you want to think about it or not, and that little \$8,000 has rolled so much now that it's like a little rolling ball. So I applaud you for structuring it like that.

MS. MCCUBBIN: I think we perhaps have time for one more question. Gary?

Q: Hi, Gary Koenig with Public Policy Institute. Caroline, this question is mainly for you. You had mentioned the default, how initially the default was going to likely be the target date fund with a conservative mix. And then you mentioned, though, that there has been a movement now to a more conservative investment for the first few years. Can you just talk about that a little bit more?

MS. ROOKES: I can't really say very much more about it because we're still actually in the initial stages of thinking it through. We think a target date fund is the best approach compared to the life-styling or the way that life-styling has been done in a lot of our DC schemes in the U.K. where it's very automatic, and then it's a bit of a lottery when you come to retire.

We've also, as I said, been looking at the mix – the asset allocation mix, and clearly these people, well, as we all know, they're not going to have an appetite for high-risk funds, but equally, you know, we want them to get a return.

And so we have been looking at the possibility, which I think sounds very much like the plans in the U.S. where you start off low-risk, get people used to the idea of saving, and then gradually introduce more risk, but at the same time it is, you know, a target date fund, so it will be sort of being managed up to the point that the person retires.

I can't really give you much more detail than that because, you know, our thinking hasn't yet crystallized on it.

MR. JOHN: Could I just make one minor point with that also?

We focus at the moment on the last crisis, which was 2008, and that last crisis will remain high in our memories for a limited period of time. And at the point that the market has started to boom again, there will be all sorts of pressure – as there were, for instance, in our U.S.

thrift savings plan for our federal employees – to move to higher and higher risk investments because people feel that they're losing out or something along that line.

What's going to be crucial here is to make sure that this is all structured both so that we've learned our lessons from what happened in the past but also so we don't get carried away with the lessons on one side or the other, the risk curve.

MS. CROSSAN: Can I just add to that? I'd be cautious of thinking that people will forget. Some of the finance industry might but some of the workers won't, because if you think about the generation before me, they went to their grave remembering the Depression, and the Depression actually affected the way they did all kind of things, including their saving.

I don't know what you think, but I believe that the crash of 2008 will go to the graves of some of the people because they've lost their jobs, a whole lot of other things that have happened.

So I agree with you in one sense in that, you know, that we have to watch the finance sector as things get better, that they don't forget themselves, but also to remember in our promotion that the punter won't forget.

MS. MCCUBBIN: Thank you very much, Diana, and thank you to all of our panelists today and to those of you who attended and asked good questions from the audience. (Applause.)

And before I conclude, I just want to give a brief plug. The next Solutions Forum that will be sponsored by the economics team from the Public Policy Institute will be December 11th, I believe. Is that right? And it will be about work-sharing, which is a way that employees and employers can tap into unemployment insurance rather than laying off workers directly. So we'll be talking about that in December. Thank you.

(END)