

## Opinion

### Public focus needed on retirement crisis

June 18, 2006

The personal savings rate of Americans fell below zero last year for the first time since 1933. That means too many people are retiring in debt, counting on Social Security to cover their mortgages, food, utilities and even health care after they leave the work force.

That is a scary reality.

Last week, state Treasurer Jeb Spaulding and a tri-partisan group of lawmakers sounded a wakeup call about this problem, warning that unless Vermont takes steps now to encourage workers to save for retirement, taxpayers will end up supporting retirees down the road.

Spaulding suggested a voluntary plan to encourage private businesses and individual workers such as farmers to participate in a state-administered savings program. In the crisis-driven world of politics, this proposal is unusual for its long-term vision.

The details of Spaulding's plan have not been worked out, but here's how the program would be structured: Businesses and individual workers could participate in a 401(k) type of program linked to the existing defined contribution plan for state employees and municipal workers. Employers could provide a match.

The benefits are clear. Employees would enjoy pre-tax savings through a credible program, retiring with a private nest egg to supplement Social Security. Employers would enjoy low costs to offer this perk to workers. Future taxpayers would be off the hook for bailing out retirees.

Women would especially benefit from such a plan because they often move in and out of the work force and are less likely than men to have adequate savings upon retirement.

Spaulding and the group of lawmakers supporting his effort deserve credit for raising this issue and crafting a plan to avoid a public problem in future years.

"People are living longer and not saving enough," said Progressive Rep. Sarah Edwards of Brattleboro. "This public/private partnership can be a win-win-win proposition: Vermonters will have more savings and a better quality of life at retirement, businesses will be able to attract and retain employees with enhanced benefits at little or no cost, and state government will avoid some future liabilities for those with inadequate retirement savings."

There will be devils in the details, however. Among the questions: How do you prevent companies with comprehensive savings plans from dumping workers into this less generous plan? How do you guarantee portability if workers move out of Vermont in the future? What will be the short-term impact on state revenues of a large pre-tax savings program?

**These are questions that can be worked out, however. Other states are already discussing similar plans and might offer a framework for structuring Vermont's program.**

**Democratic Sen. Susan Bartlett and Rep. Donna Sweeney, Republican Diane Snelling and the Progressive Edwards are also working on the proposal -- a political mix that ought to speed its passage.**

**Spaulding and the legislators are right to start a conversation now about this looming problem. Vermonter taxpayers should follow their work closely.**

**Just the facts:**

- **Half of America's private-sector work force is not covered by an employer-sponsored retirement plan.**
- **One-quarter of current retirees rely on Social Security for their income.**
- **Eight in 10 eligible employees participate in a workplace plan when offered.**
- **Only 30.8 percent of small businesses (fewer than 25 employees) offer retirement plans.**