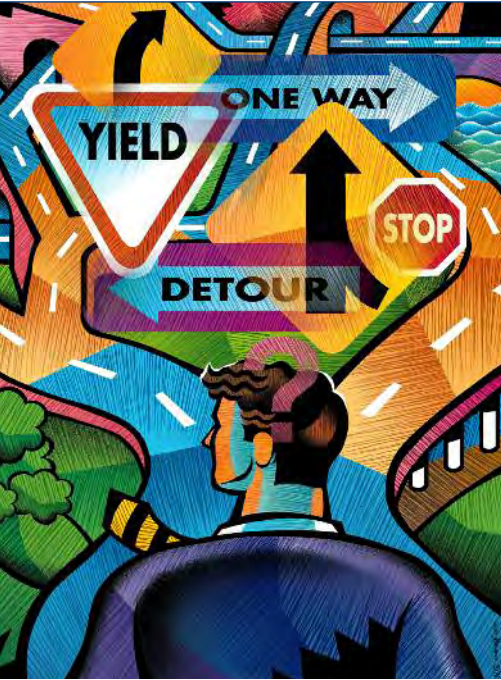




National Conference on Public  
Employee Retirement Systems

# NCPERS Research Series

September 2016



## Pension Policy at a Crossroads

**T**he United States, the wealthiest nation in the world, faces a self-inflicted retirement savings crisis. The lifetime guarantee of a pension that American workers once enjoyed was the envy of the world. But today, this type of security and dignity in retirement is being replaced by do-it-yourself retirement savings plans such as 401(k). Imagine if such a shift were not taking place – there would have been practically no retirement savings crisis. For illustrative purposes, let’s look at the massive shift from defined benefit (DB) pensions to 401(k)-type defined contribution (DC) plans in the private sector during the past 30 years. Currently, total US retirement savings (DB + DC) is about \$7 trillion. If there had been no such shift, the total retirement savings would have been \$14 trillion. No wonder many Americans can’t afford to retire.<sup>1</sup>

The shift from DB to DC plans has serious societal consequences. Our own analysis of 30 years of empirical data indicates that the shift from DB to DC plans exacerbates income inequality. Rising income inequality, in turn, drags down the economy.<sup>2</sup> The analysis also shows that undermining pensions increases economic volatility.<sup>3</sup> Although many factors affect income inequality, economic growth, and economic volatility, the analysis illustrates that dismantling pensions is an important contributor to these economic troubles. In short, regardless of whether you have a pension, consequences of the prevailing pension policy and trends are harmful to all Americans, not just those who are lucky enough to have a pension.

### Contents

Donald Trump	2
Hillary Clinton	3

<sup>1</sup> [http://www.ncpers.org/files/NCPERS%20Research%20Series\\_2016\\_Boston%20College\\_v4.pdf](http://www.ncpers.org/files/NCPERS%20Research%20Series_2016_Boston%20College_v4.pdf)

<sup>2</sup> [http://www.ncpers.org/files/NCPERS%20Income%20Inequality%20Paper\\_Web\(1\).pdf](http://www.ncpers.org/files/NCPERS%20Income%20Inequality%20Paper_Web(1).pdf)

<sup>3</sup> <http://www.ncpers.org/files/Economic%20Volatility%20May%202016.pdf>

Illustration by: Jude Maceren © 2016 Illustration Source

The content of this Research Series is based on secondary research.



Today, the United States is at a crossroads. We are about to elect a new president. How would the two front-runners – Donald Trump and Hillary Clinton – address the pension policy challenges we face? The purpose of this issue brief is to examine the candidates’ positions and views on pensions and social and economic security.

## Donald Trump

Donald Trump has a union pension of \$110,228 per year from Screen Actors Guild, according to the financial disclosure form he filed with the Federal Election Commission.<sup>4</sup> Yet he balked on collectively bargained pensions of his employees at the Trump Taj Mahal casino under the cover of bankruptcy. Although Carl Icahn bought the casino, the pension issue still lingers.

On October 14, 2014, Kevin Gross, a Delaware bankruptcy judge denied a request by Trump Entertainment Resorts to be relieved of these pension obligations.<sup>5</sup> But the matter has not been settled yet. Workers and their advocates are now seeking the US Supreme Court to rule on this pending pension matter.<sup>6</sup>

Given the choice, Trump would rather not pay pensions. In April 1991, Judge Charles Stewart of the New York Southern District Court found that Mr. Trump, a group of his associates, and a union official had conspired to avoid paying pension and welfare fund contributions by hiring immigrants to demolish the old Bonwit Teller building on East 57th Street at Fifth Avenue, in New York City, to make way for Trump Tower.<sup>7</sup>

Trump also operates a stingy 401(k) plan for his workers. According to Bloomberg’s rating of 401(k) plans, Trump scores 30 out of 100 – lower than all but one of the top 50 companies.<sup>8</sup>

With respect to Social Security, Trump favors privatization, arguing that it would be good for all of us. According to Trump, directing Social Security funds into personal accounts invested in real assets would swell national savings, pumping hundreds of billions of dollars into jobs and the economy.<sup>9</sup> However, he overlooks that many individuals are not savvy investors.

---

<sup>4</sup> <https://www.yahoo.com/movies/did-donald-trump-110k-sag-pension-002228845.html>

<sup>5</sup> <http://www.usatoday.com/story/money/business/2014/10/03/judge-rejects-trump-entertainment-pension-motion/16672497/>

<sup>6</sup> <http://www.latimes.com/nation/la-na-court-trump-bankruptcy-20160529-snap-story.html>

<sup>7</sup> <http://www.nytimes.com/1991/04/27/nyregion/judge-says-trump-tower-builders-cheated-union-on-pension-funds.html>

<sup>8</sup> <http://www.bloomberg.com/politics/articles/2015-07-07/donald-trump-s-employees-don-t-share-wealth-in-401-k-plan>

<sup>9</sup> The America We Deserve, by Donald Trump, p.198-199 & 203



## Hillary Clinton

Hillary Clinton is sympathetic to the cause of workers' pensions, as is reflected in her recent statement on the Treasury Department's recent rejection of the Central States Pension Fund:

Americans in the Central States Pension Fund spent their lives working hard, playing by the rules, and paying into their pensions so they could retire with dignity. They deserve better than a plan that would take away as much as three-quarters of some retirees' pension income—money they were told for years they could count on. The Treasury Department has done the right thing by rejecting this proposal. Congress must now come together around an alternative solution that maintains the financial health of our pension system and ensures workers and retirees can enjoy the secure retirement they've earned.<sup>10</sup>

On her website, Hillary Clinton states, "After working hard for years, Americans deserve a secure and comfortable retirement. Hillary will fight to protect retirement security, enhance—not privatize—Social Security, and push back against any effort to undermine retirement benefits."<sup>11</sup>

Hillary Clinton has been in public life for many years, and her pro worker positions on pensions and social security are well documented. A few examples follow:

- Expanding Social Security for the most vulnerable first (Source: Democratic debate in Wisconsin, PBS, February 11, 2016)
- Enhancing benefits for the poorest recipients (Source: 2015 CNN Democratic primary debate in Las Vegas, October 13, 2015)
- \$1,000 matching tax credit for first \$1,000 in 401(k) deposit (Source: FactCheck on 2007 Republican debate in Dearborn, MI, Wall Street Journal, October 9, 2007)
- Making sure nobody ever tries to privatize Social Security (Source: 2007 AFL-CIO Democratic primary forum, August 8, 2007)

<sup>10</sup> <https://www.hillaryclinton.com/briefing/statements/2016/05/11/hillary-clinton-statement-on-the-central-states-pension-funds-rejection-by-the-treasury-department/>

<sup>11</sup> <https://www.hillaryclinton.com/issues/labor/>

Pensions and retirement security may not be at the top of candidates' and voters' priorities, but pension policy gone haywire has serious societal and economic consequences. Let's take the road that leads to a great pension for everyone and ensures retirement security and dignity for all. Everyone deserves a great and dignified retirement.

Given the partisan divide in our country, it might be appropriate to close with a quote from Rumi, a twelfth-century poet and philosopher: "I am neither Zoroastrian nor Jewish, Christian nor Muslim. I am neither from this earth, nor from the sky. I am neither from fire, nor from wind." He goes on and on disclaiming his affiliation with any religion or location. In the end, he says, "I am the soul of my love for the universe and humanity."<sup>12</sup> I might add to Rumi's thinking and claim that when it comes to pensions, I am neither Republican nor Democrat, because I have a passion for preserving pensions and our society's economic well-being.

---

<sup>12</sup> Jalaluddin Rumi (translation by Reynold Nicholson), 2001. *Divan-e-Shams-e-Tabrizi*. Bethesda, MD: IBEX Publishers.

