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Greenough Says Social Security is Healthy but Calls for Reforms; Urges Less Federal Regulation of Nation's Private Pension Sector

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For Immediate Release

GREENOUGH SAYS SOCIAL SECURITY IS HEALTHY BUT CALLS FOR REFORMS;
URGES LESS FEDERAL REGULATION OF NATION'S PRIVATE PENSION SECTOR

Former TIAA-CREF Chairman Speaks At Annual Boettner Lecture

BRYN MAWR, Pa, Oct. 12--Dr. William C. Greenough, retired chairman and CEO of the Teachers Insurance and Annuity Association-College Retirement Equities Fund and one of the nation's pre-eminent pension authorities, today re-assured business leaders about the financial health of the federal Social Security system for present and future generations. "On balance," he said, "it remains strong, well-designed, and permanent. If we don't mess it up now, it will be there working well when our children retire."

Dr. Greenough, who for many decades ran the nation's largest pension fund with current assets in excess of \$76 billion, delivered his remarks as presenter of the annual Boettner Lecture at the Boettner Research Institute of The American College here. The Institute, chartered in 1986, conducts broad research in financial gerontology related to the "impact of economic well-being and planning on the quality of life in an aging society."

Assessing the private pension sector, Dr. Greenough decried the current "over-regulation" of private funds and detailed a long series of federal regulatory laws passed since the early 1970's. "With their enactment," he charged, "went the diversity of private plans, the flexibility, and much of the ability to innovate. There, too, went any hope for reasonably simple, efficient-to-operate plans."

What regulation there is, the former chairman of TIAA-CREF told his listeners, should focus on stricter supervision of fiduciary matters as well as adequate funding "to assure that if pensions are promised, they will be paid." He urged a major rollback of federal intrusion into all other aspects of private pension plans.

Arguing that precisely because the federal government controls the Social Security system, it should limit, rather than expand, control over private pension plans, Dr. Greenough said public officials should not get involved in determining "who participates in private plans and when, levels of benefit accruals, maximums on benefits, or investment mandates other than fiduciary."

Supporting a similar laissez faire approach to Social Security, he praised the 1983 Social Security amendments for ending the annual pressure group tinkering from all sides that, he said, has done much harm to the system over the years. He added that any significant changes should be part of comprehensive amendments "to be made in an omnibus bill at five or ten-year intervals."

The pension expert who created the variable annuity concept did, however, advocate an immediate end to the indirect financing of part of the federal deficit with surpluses from the Social Security trust fund.

Instead, Dr. Greenough proposed a reduction in employee Social Security taxes to a level that would meet only a single year's benefit payments. Competing ideas and needs, no matter how good, for using those surpluses, should seek other tax support, he contended.

At some future date, the speaker recommended raising the normal retirement age for benefits to 68 and then 70 over the coming decades "phased in to coordinate with demographic changes." He opposed to recent proposals made in Congress and elsewhere that would enable retirees to receive greatly increased, or total, benefits while still fully employed. "The retirement test," Dr. Greenough declared, "should not be eliminated. It is not the function of the Social Security system to transfer income from younger working Americans to older workers."

He also criticized advocates of a means test for receiving Social Security benefits. "The system," he said, "must continue to provide benefits for all eligible individuals who've contributed to it as a matter of dignified right related to productive employment, not charity."

Dr. Greenough questioned the current Social Security taxing system which, he said, produced "double taxation" since employee contributions are regarded as ordinary taxable income. "It is," Dr. Greenough said, "inappropriate to include in taxable income

amounts transferred from currently productive workers to those who are retired. Younger workers also have a right to be treated fairly by our society."

Dr. Greenough praised the nation's private pension system, noting that some 14 million Americans are now covered in 900,000 separate plans with total assets of \$2.3 trillion. He pointed out that private pensions represented a huge capital pool in an economy that is otherwise woefully under-saved.

After delivering a tribute to employer-sponsored pension plans, Dr. Greenough concluded his remarks with another call for a freer, less regulated private pension environment that would "unleash strong forces leading to greater savings and security for all."

Editor's Note: If you would like a copy of the full 27-page text of Dr. Greenough's talk, please call Emily Sims at The American College (215-526-1448).

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