"New Normal" Retirement Plan Designs

Re-engineering and Installing Sustainable Pension and OPEB Plans

BY GIRARD MILLER AND JIM LINK

The national economic malaise and the 2007-2009 bear market in stocks have combined with a decade of mistaken optimism to create the "perfect storm" in public-sector retirement finances. Some public officials who once thought their benefits plans were affordable are now imposing layoffs, salary freezes, service reductions, and furloughs to maintain those plans.

A number of employers with pension plans that were flush during the Internet bubble years of 1998-1999 awarded unsustainable, irreversible benefits increases to employees on the mistaken presumption that the financial markets would deliver double-digit returns forever. Instead, the absolute returns on many public pension portfolios in the past decade approached zero, falling far below their actuarial assumptions. Meanwhile, a decade of procrastination in the funding of retiree medical benefits (now known as OPEB, for "other postemployment benefits") has left many state and local governments with no money saved to meet their rapidly rising retirement benefits payments — which are likely to double or triple in the coming decade.

Finance officials and the municipal bond community might have less cause for concern if the U.S. economy were expected to rebound sharply from its deep recessionary troughs and generate resurgent taxes and revenues that would enable governments to make higher retirement plan contributions — steeply higher, in some cases. Likewise, the pension funding problem might be manageable if depressed stock markets were to recover quickly to the 2007 peak levels and restore pension plans from their current 65 percent funding levels to the 85 percent average that prevailed then. Yet few economists hold out much hope for a simultaneous V-shaped recovery in tax revenues and financial markets. From their recent bottom, stock markets have already rallied back to their 83-year long-term average returns of 10 percent compounded, so the historical averages suggest that they are fairly valued, not undervalued. Hence, a reflexive return to 2007 bubble levels is implausible.

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THE NEW NORMAL VERSUS THE OLD INERTIA

Looking ahead, the property tax revenue base of most municipalities is unlikely to return to peak market levels any time soon. Without the easy credit once available from home equity loans and mortgage refinancing, domestic consumption is unlikely to generate sales tax revenues at 2007 levels for several years. With national unemployment figures near double digits and investors' portfolios suffering deeply embedded losses that preclude capital gains tax revenues for years to come, the income tax revenues of public employers are also unlikely to provide sufficient funding to meet the mounting bills for retirement plans.

Throughout the past year, many public finance officials have operated in emergency mode, making budget cuts and deferring expenses where possible just to avoid deeper deficits. In some cases, these retrenchment efforts have included early retirement incentives, which shifted employees from the payroll and onto pension rolls and thereby raised the unfunded liabilities of the pension funds. Layoffs have reduced the salary base, which, ironically, increases the required pension contribution rates. In some jurisdictions, elected officials have opted for pension contribution holidays, failing to make timely annual payments to retirement plans as actuarially required. For retiree medical benefits, the vast majority of state and local governments have continued to pay as they go rather than prefunding an OPEB trust on actuarial principles. The logic has been that the OPEB funding problem is 25 years old, so it can wait another year or two — even though procrastinating simply makes the liabilities mushroom.

THE LEADERSHIP VOID

The problem of zero-funded OPEB plans is often ignored. Pension plan officials usually focus exclusively on their immediate fiduciary responsibility to the pension plan, as they have been instructed by their attorneys. Many elected officials suffer from policy myopia, a condition that limits their vision to their term in office. Union leaders typically slough off the responsibility for severely underfunded retirement plans as management's fault and the taxpayer's problem. Nobody seems willing to assume responsibility for addressing the entire scope of their organization's retirement problems. The situation requires prompt action, however, to avoid burdening the next generation of workers and taxpayers with a legacy of overlapping pension and OPEB debt as Baby Boomers approach retirement. It is finance officers, who deal regularly with longer-term financial forecasts, debt repayment schedules, and capital improvement plans, who can best address the big picture.

According to an old adage, when you're up to your "ears" in alligators, you don't have time to drain the swamp. That's exactly where the public finance profession stands today with regard to retirement benefits plan sustainability. Many jurisdictions know they have a problem, but few have the time to focus properly on finding solutions and implementing them. But there are ways to achieve sustainable financing of retirement plans in the new normal world of post-malaise public finance. Key milestones along the way include:

- Identifying all the key metrics
- Forming a multidisciplinary team
- Doing a sustainability assessment
- Creating a strategic map for benefits redesign
- Conducting labor negotiations
- Implementing the strategy

SUSTAINABILITY METRICS

In the simplest terms, the sustainability of a retirement plan depends on the capacity and willingness of the employer to make actuarially required contributions on a consistent, ongoing basis. This requires two sets of metrics: the actuarial projections of annual required contributions (ARC) and the revenue and fiscal capacity of the plan sponsor (the employer). Quite often, this information resides in separate offices.

The actuarial projections for many pension plans are undergoing major revisions because of the dramatic investment losses in 2008. Many public retirement systems employ actuarial smoothing, averaging investment gains and losses over several years (often five) in order to avoid dramatic fluctuations in employer contribution rates over short-term business cycles. For many employers in today's unprecedented capital markets situation, this also means that next year's ARC will understate the ARCs that will be required in subsequent years, once the delayed effects of smoothing work their way through the system. Unless financial markets rebound to prior levels quickly and unexpectedly, a smoothing process camouflages the ultimate long-term costs when a recession is deeper and longer than a normal business cycle. The financial officer must look three to five years into the future and ask what is the likely trend and level of future required employer contributions. In the state of New York, for example, the controller recently projected that employer contributions will triple to previously unthinkable levels of 30 to 40 percent of payroll. Another state's actuary has acknowledged that the state's pension plan may need to require employer contributions of 25 percent of salary after 2011.

The scope of this article is limited to state and local governments, but to fully analyze retirement plan sustainability, one also needs to consider the virtually inevitable increases in employer-paid Social Security and Medicare taxes that will be needed to retain those benefits at current levels. The 2009 Social Security and Medicaid Trustees' annual report documents the funds' combined actuarial deficits of 5.88 percent of payroll, which may ultimately require employees and employers nationwide to each pay another 3 percent of salaries into these programs in order to maintain their solvency. Such federal tax increases would make it difficult for public-sector employers to increase and rebalance their own local retirement plan contributions to meet their rising ARCs. Failing to raise employee contributions for their local retirement systems ahead of these impending federal tax increases will only further weaken the bargaining leverage of employers who procrastinate.

Employer contributions may also be affected by changes in accounting practices. Presently, the Governmental Accounting Standards Board permits unfunded liabilities to be amortized over 30-year periods. Financial professionals are questioning whether such a long period accurately matches the remaining service lives of the current workforce — which may include high concentrations of public safety workers, senior Baby Boomers, and others who are expected to retire much sooner than that. If the amortization of unfunded liabilities is not realistic or the accounting rules change, future required contributions will increase, so a plan that otherwise appears sustainable today might not be in the future.

Meanwhile, financial professionals now find themselves struggling to calculate a baseline from which to estimate their future capacity to afford employee benefits. The current economic malaise is clearly not a garden-variety recession. Some economists remain concerned about a double-dip recession (a recession followed by a short recovery that ends with another recession, such as the one experienced in 1980-82) as federal stimulus wears off. In some states, the real estate market is stabilizing, but in others, the string of foreclosures continues to weigh on property prices, with the potential to push tax revenues yet lower throughout the coming year if not longer. The challenge for retirement plan finance is that the trend rate for post-recessionary revenues is far more uncertain and likely more shallow than it has been at any time since the Great Depression years in the 1930s.

In addition, discussions about sustainability need to include the companion concept of *sufficiency*. Retirement plans need to provide benefits that will keep the organization competitive in the labor market, and to help retirees maintain a reasonable quality of life. Achieving sufficiency when the employer's fiscal footing is unsustainable means that retirement plans need to encourage employees to save during their working years to cover their share of medical expenses when they retire.

GETTING STARTED

Sustainability Team. Assessing the sustainability of a public retirement plan begins with an appraisal of the employer's revenue structure, the elasticity and strength of its revenue

Exhibit 1: Retirement Plan Sustainability Assessment — Diagnostic Questions

- Have you consistently paid the full actuarial required contribution (ARC) for both your pension plan and your OPEB plan?
- What are the expected increases or trends in the ARC for all retirement benefits in the coming five years, based on all available information today (including current market values of the trust funds' portfolios and current contribution levels)?
- Is your budget subject to constitutional, charter, or other limits on tax revenues? What percentage of revenues are limited or capped?
- Are your actuarial assumptions realistic regarding the expected portfolio earnings rate, employees' final compensation (spiking), disability retirement rates, and the amortization period for unfunded liabilities?
- What would your ARC become if your liabilities were amortized over the (usually less than 30-year) remaining average service lives of your employees? How would you cover that cost?
- Are your non-tax revenues elastic or constrained? Are your revenues diversified or concentrated?
- Is your service population expected to grow, shrink, or stabilize?
- Are commercial or residential property values in your jurisdiction expected to decline further from current assessment levels?
- Have you significantly reduced your workforce in recent years? Expect to make further workforce reductions? Will fewer employees contribute to a static fund serving a growing population of retirees?
- Is there pent-up demand for: 1) service restorations after recent reductions and furloughs, 2) rehiring laid-off employees, or 3) salary increases after pay cuts, which will claim the first dollars of any future revenue increases?
- Was the latest budget balanced using non-recurring revenues or reserves? Are you running a surplus or deficit on recurring revenues now? Have reserves shrunk to a point that impairs future financial flexibility?
- Are you heavily reliant on state-shared revenues, grants, or other intergovernmental fiscal dependencies? What percentage of your budget is controlled by higher-level governments with severe fiscal problems?
- Have recent tax increase proposals or bond issues been defeated by voters? Do other overlapping jurisdictions frequently make claims on tax sources that crimp your revenue capacity?
- What is the level of citizen support for increasing taxes or reducing services to maintain retirement benefits?
- Do you have significant and growing levels of deferred maintenance, infrastructure, or capital equipment replacement?
- Are labor relations antagonistic, with frequent arbitration?
- Is your debt rating improving, stable, or declining? Will debt service payments increase, remain stable, or decline in the coming decade, taking into account high-priority capital expenditures?
- Will you be able to fully fund your foreseeable 2012-15 ARCs for both pensions and OPEB, even if your revenues return to former peak levels, once unavoidable deferred expenses are restored to the budget, along with other competing claims?

Exhibit 2: Common Symptoms of Unsustainable Retirement Plans

No single symptom is conclusive, but a combination is highly indicative.

- The OPEB plan is funded on a pay-as-you-go basis rather than an actuarial basis — with projected benefits disbursements scheduled to double or triple in ten years.
- There are high percentages of early retirements, pension spiking, and disability retirements.
- Employer pension contribution rates are in the double digits and keep increasing.
- The plan has a pension multiplier of more than 2.5 percent (times years of service times final compensation) coupled with an employee contribution rate of less than 7.5 percent — or, conversely, an employee contribution rate of less than three times the pension multiplier for civilians. (Benchmark with 4x for first responders eligible for retirement before age 60 — 5x for those below the age of 55 — unless funded by a dedicated pension tax.)
- The plan's amortization practices are unrealistic (e.g., 30 years), disregarding the much-shorter average expected remaining service lives of employees (e.g., 10-14 years).
- Frequent ad hoc cost of living adjustments are made (except in plans with funded ratios of more than 100 or even 110 percent).
- There is a history of unfunded retroactive benefits increases.
- Early retirement incentives are charged to the pension plan rather than being expensed.
- The plan uses methods that might require higher future contributions after employees have already retired. These include deferred actuarial amortization, a smoothing period recently extended after market downturns to avoid immediately higher ARCs, or smoothing periods that exceed the average expected service lives of current employees.
- Employee contribution rates are low, and the ratio of employee versus employer contributions is low. Combined pension and OPEB plans employer contribution rates exceed 200 percent of employee contributions.
- The asset-liability ratio of the pension fund is lower than 75 percent, using today's market values.
- There is a chronic history of declining actuarial funding ratios over market cycles.
- Operating budget revenue limitations or tax caps are combined with a tendency toward inflationary postretirement benefit increases.
- Benefits levels exceed local labor market or surrounding public employers; the employer is consistently out-flanked by labor unions and makes frequent arbitration awards of retirement benefits increases. There is a history of granting retirement benefits increases to obtain union agreements, shifting costs to the future.
- There is no limit on OPEB benefits (i.e., no dollar or Consumer Price Index cap).
- Taxpayer group or media outlets frequently bring attention to abuses and excesses.
- Investment return assumptions are more than the national average for plans of similar size. Trust fund portfolios repeatedly fail to achieve assumed returns.
- The average lifetime expectancy for new retirees exceeds their career service period (e.g., employees retire before age 58 with less than 30 years of service).
- Declining constituent population base or stagnant local economy is coupled with generous and unfunded legacy retirement benefits.

base, and its other competing expenditure commitments. This is not work that retirement plan administrators or actuaries are accustomed to performing, and in fact it's not their job. The chief financial officer (CFO) and the financial professionals who manage the employer's budget and capital and debt management programs, and their advisors, are usually better equipped to handle this function — with input from retirement plan administrators and actuaries to help them realistically project the level of revenues that will be required to cover the increasing retirement plan ARCs and thereby avoid a budget shortfall.

This team effort is the first step in assessing sustainability. A strong team of professionals is needed to access, evaluate, collaborate, and act on the relevant information. Typically, this will include the CFO, budget director, retirement plan administrator, labor negotiator, and human resources director. In some cases, one or more external experts might also be required to help make objective assessments of future national or regional fiscal trends.

Key Sustainability Questions. Some key questions to ask are listed in Exhibit 1, and common symptoms of unsustainable plans are presented in Exhibit 2. These lists are generalized, but they exemplify the kind of thinking and analysis required for launching a strategic, fact-based sustainability initiative. The information is useful to all members of the team, as well as the chief executive and elected policy makers.

Financial professionals should be able to use this process to determine whether postretirement benefits plans can be sustained at current benefit levels, and whether employer contributions can be funded regularly from the operating budget. Nobody can forecast the future of the economy or the financial markets with precision, but there are both objective and qualitative indicators of fiscal capacity that can be used to determine the realistic potential for future revenues becoming available to meet rising retirement plan costs.

If a reasonable and prudent observer would conclude that the employer will probably not be able pay the ARC for its retirement plans in subsequent years, or that doing so will ultimately compel the employer to cut services, then the plan is unsustainable. A plan is not sustainable if it can be maintained only so long as the employer lays off workers, freezes salaries for a decade, cuts programs, uses actuarial smoothing periods well beyond a normal business cycle, amortizes liabilities over periods longer than employees will work, defers infrastructure or capital equipment spending, drains reserves and fund balances, issues pension or OPEB obligation bonds to defer expenses, or relies on perennial tax increases to pay for rising retirement benefits costs.

Strategy Map. If one or more of an employer's postretirement benefit plans is unsustainable, then it's time to devise a strategy map that will provide direction and guidance to senior management, including a rough outline of desired outcomes that are sustainable. A strategy map usually includes an objectively affordable target level for employer contribution rates, in light of the organization's long-term fiscal capacity. Items to be considered in the strategy map include:

- Determining the appropriate long-term ratio of employer to employee contribution rates
- Shifting some costs from the employer or the plan to employees or retirees

Exhibit 3: Sustainable Reform Strategies for the New Normal

- Anticipate increases in Social Security and Medicare taxes and avoid federal pre-emption by implementing contribution changes before Congress takes action.
- Align retirement ages with the ages used by the Social Security Administration for full retirement benefits (66 for most existing employees and 67 for new hires).
- Require actuarial reductions for early retirees (aged 60-62). (See Exhibit 4 for the reductions used by the Social Security Administration.)
- Disallow inflation increases for early retirees, or limit their payout period to the number of years worked.
- Establish lower retirement benefits tiers for vested and unvested existing employees and new hires.
- Require employee contributions for OPEB plans and increase employee contributions for pension plans, with a long-term goal of having employee contributions match the employer contribution rates at a sustainable target ratio.
- Include a transitional grandfathering period for existing employees who retire within 5 years.
- Prorate retiree medical benefits for workers who serve less than a full career.
- Institute fixed or Consumer Price Index-linked caps on OPEB benefits.
- Increase retiree copayments incrementally each year until retirees pay a third of costs, if state law allows.
- Dedicate 20-25 percent of budget surpluses and future revenue increases to reducing the retirement trust funds' unfunded liabilities until the plan achieves 50-75 percent funding.
- Install supplemental savings plans to help future retirees pay their shares of medical expenses and achieve retirement sufficiency through personal savings.
- In the context and proper spirit of benefits sufficiency, introduce a hybrid or defined contribution plan alternative or component with a lower employer contribution rate; allow unvested workers to opt in at fair value.
- Seek voter approval for a pension or OPEB funding tax to pay off unfunded liabilities, and link this tax with future cost-control reforms.

Exhibit 4: Social Security Eligibility Ages and Early Retirement Reduction Factors

Year of Birth	Full (Normal) Retirement Age	Months Between Age 62 and Full Retirement Age	At Age 62 the Retirement Benefit Is Reduced By
1937 or earlier	65	36	20 percent
1943-1954	66	48	25 percent
1957	66 + six months	54	27.5 percent
1960 and later	67	60	30 percent

Source: Social Security Administration

- Reducing and restructuring benefits for new and existing employees
- Determining whether it is appropriate to create tiered benefits, which provide different benefits based on employee tenure and vesting status; and if it is appropriate, determining how this can be done
- Increasing employee contribution levels to retirement plans, or, in the case of OPEB, requiring an employee contribution where one did not previously exist
- Phasing in benefits and contribution changes over time, instead of doing so immediately
- Dedicating a percentage of future revenue increases and budget surpluses to the retirement trust funds in order to reduce unfunded liabilities and ultimately reduce the ARC
- Issuing OPEB bonds for 33 percent to 65 percent of the total liability to reduce long-term financing costs — only under ideal market conditions and after thorough due diligence and risk assessment (The Government Finance Officers Association urges jurisdictions to be extremely cautious about issuing OPEB bonds. For more information, see the GFOA's best practice, "Need for Considerable Caution in Regard to OPEB Bonds," available at http://www.gfoa.org/downloads/corbaopebbonds.pdf.)

A variety of strategies can be employed to reduce the cost of postretirement benefits. Co-payments and deductibles can be increased. Retirement eligibility ages and service periods can be increased. Vesting periods can be extended. Liabilities can be controlled by capping annual employer contributions. An annual service-credit accrual rate can be established, using a 30-year service period to define a full civilian career and prorating benefits for shorter periods of service. Benefits for dependents can be eliminated, reduced, or adjusted. Additional options to explore are listed in Exhibit 3.

How such changes should affect current retirees, incumbent employees, and new hires often differs from one jurisdiction to another. Some state laws prohibit certain employers from reducing benefits for retirees, and many employers perceive a moral obligation to avoid cutbacks for retirees. Most employers are reluctant to reduce benefits for existing employees, especially older workers, even for retiree medical benefits that may not be legally protected. Although legal restrictions on prospective benefits changes are far less common, there could be political reluctance to impose changes on existing employees at all.

> The public sector's retirement problems require prompt action to avoid burdening the next generation of workers and taxpayers with a legacy of overlapping pension and OPEB debt as Baby Boomers approach retirement.

If the jurisdiction will consider changes for only new hires, the strategy map must take into account whether employer contributions can be reduced enough to achieve fiscal sustainability. If not, the alternatives that must be considered are: 1) reducing future benefits credited to existing employees and 2) increasing contribution requirements for existing employees. Many experienced managers report that it is easier to change existing employees' contributions than their benefits. For pension funds that already require some level of employee contributions, the first step is to increase the employee percentage. For OPEB plans, especially those that are unfunded, the first step may be insisting that employees contribute to an OPEB funding trust (which obviously requires that such a trust be created). In most cases, employee contributions will need to be increased for both the pension and OPEB plans. Many employers will need to institute benefit changes as well as increasing contributions in order to restore fiscal sustainability.

THE NEW NORMAL EMPLOYEE MATCH

American employees are familiar with the concept of an "employer matching contribution." This is the amount an employer contributes to its employees' defined contribution plan accounts—typically 401(k) in the private sector—expressed as a proportion of each employee's contribution. In the private sector, employees seldom receive an employer match of more than 100 percent of their contributions. In comparison, public-sector employers often contribute 200 percent to 500 percent of their employees' combined pension and OPEB plan contributions. Also, the literature has rarely mentioned the corollary concept of an "employee match" of the employer's defined benefit contributions — although there are a handful of plans where employees do in fact match the employer's share. A paradigm shift may be required to achieve a sustainable matching ratio — which implies significant work ahead on the labor relations front.

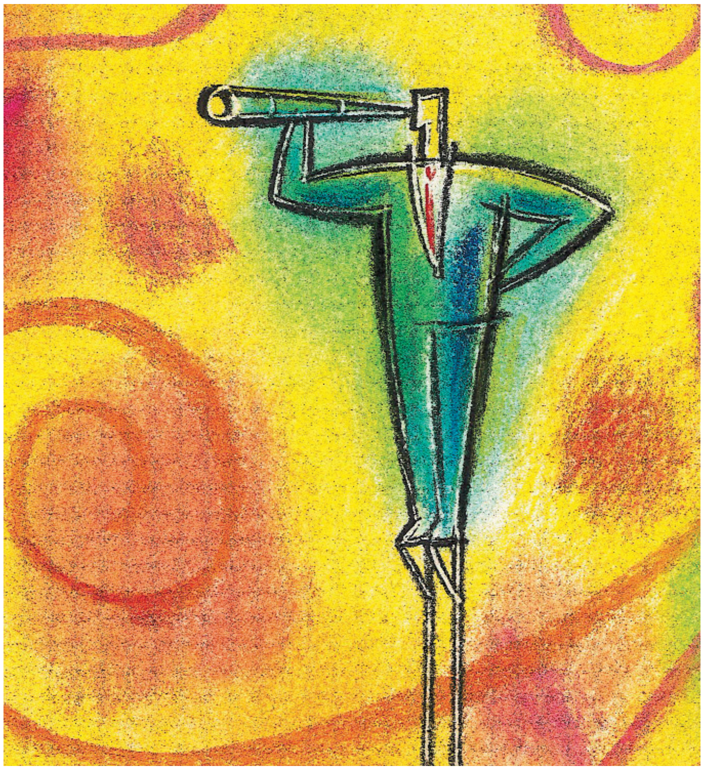
Some analysts advocate that the ideal contribution rate for employees is an equal match with the employer. This way, the financial burdens are shared equally, and employees are full partners with taxpayers. However, a sustainability-driven analysis might conclude that a different ratio of employee and employer contributions is more appropriate, in light of the employer's fiscal capacity and the competitive mix of benefits in a given labor market.

Both strategies — increasing employee contributions for pension plans and requiring contributions for OPEB plans — can be very effective. Another advantage is that higher-paid senior existing employees share immediately in the sacrifices required of new hires and younger workers. No other immediate plan design change equitably distributes the sacrifices and preserves benefits sufficiency as well as this approach.

TRANSITION STRATEGIES

Employers and employees may both need time to adjust to the new normal. Revenue-constrained employers typically increase their contribution rates over several years through actuarial smoothing or a phased increase. In the case of OPEB plans, many employers will shift incrementally from pay-as-you-go to full actuarial funding over a multiyear period. Similarly, employers can implement a strategy for ramping up employee contributions, having them pay successively higher contribution rates until they reach the long-term target. Stair-stepping the rising employee contributions can help employees make personal financial adjustments over several years. Another thing to keep in mind is that the ARC will increase in subsequent years if total contributions fall short of the full ARC, since investment assets will grow more slowly than the original actuarial projections. Stakeholders should be informed of this potential tradeoff, so the higher long-term costs of a phased strategy are clear to all.

A second transition strategy for downsizing existing employees' benefits prospectively is allowing senior workers a window of three to five years to elect to retire under the old plan instead of the new system. Thereafter, they must accept the new benefits formula, with reassurance that they will never receive less than the present value of their earned benefits on the date of the plan change. Of course, there are side-effects to this strategy — namely, encouraging a flight of institutional knowledge at a time of significant vulnerability. Managers should first analyze the situation to see who would be eligible under such a scheme, make a rough assessment of who is likely to go, see if there is a succession plan, and then decide if the risks are worth the savings.



LABOR RELATIONS AND NEGOTIATIONS

Once the strategy map is completed and elected officials are briefed, the labor relations and negotiating process begins. This stage starts with education: Employees and union leaders must be informed about the costs of maintaining current benefits and about the employer's long-term fiscal capacity. From there, a frank discussion of the long-term benefits changes that need to be installed for new employees is usually the best place to begin. The employer needs to explain the actuarial estimates being used to determine whether the normal contributions requirements for new employees are affordable in the long term. This establishes a baseline for comparison with the current benefits plan, which leads to a second round of discussions about the changes required for existing employees. As noted previously, the trade-offs for existing employees can be simplified by using employee contributions to achieve fiscal balance instead of prospective benefits reductions for existing employees' future service.

A smart labor relations strategy should also address union expectations of benefits restorations or increases in the event the financial markets and governmental revenues return to previous levels faster than mainstream economists now expect. Union leaders will be more cooperative about accepting the new normal if employers show some flexibility about augmenting the reformed benefits and contributions structures, should the good times resume. Learning from the past, however, negotiators should firmly avoid permanent, constitutionally protected and irreversible benefits increases and oppose unfunded retroactive benefits increases. Instead, offer a supplemental employer contribution to employees' retiree health savings accounts or deferred compensation accounts, or a similar non-recurring payment or credit. This can give union leaders something positive to show members when they present a reform plan loaded with what the unions call "give-backs."

> If one or more of an employer's postretirement benefit plans is unsustainable, then it's time to devise a strategy map that will provide direction and guidance.

IMPLEMENTATION

Many employers are likely to achieve sustainability for their postretirement benefits over several years. Implementation usually begins with the following steps:

- Creating an OPEB funding trust (to receive employee contributions)
- Establishing a supplemental savings plan for retiree medical benefits that enables employees to begin saving for their costs during retirement
- Communicating the new long-term benefits plan to existing employees
- Providing preretirement counseling to older, senior employees who need to understand their options under the transition plan
- Communicating the new benefits structure to new hires during recruitment and orientation
- Establishing new employee contribution rates, sometimes over a period of several years

CONCLUSIONS

Designing a fiscally sustainable strategy for financing retirement plans is more than an exercise in technical skills and good task management. Project leaders face a professional Odyssey rife with hazards: the sensitive and deeply personal nature of retirement benefits; the growing interest of the media and taxpayer associations in the so-called "pension tsunami"; shrewd and politically powerful labor unions representing well-liked employee groups such as fire fighters; a highly uncertain post-recession economic horizon; a complex technical topic that must be communicated to people who do not understand and, sometimes, really do not want to listen; and competing stakeholders' vocal claims for future resources.

Social skills and level-headedness are just as important as financial acumen when maneuvering through the obstacle course of retirement financial reform. Professionals who confront this challenge need to consider obtaining executive coaching, retaining an experienced advisor, or finding a wise mentor. Those who succeed will emerge as tomorrow's leaders.

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