

COMMENTS OF AMERICAN LIFE CONVENTION, BY Dr.
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The American Life Convention and the Life Insurance Association of America welcome the opportunity to comment on the issues raised by this Print, which was prepared by staff of the Joint Economic Committee. We believe that a subject of such importance to the welfare of the Nation merits the most careful consideration. The objective is to secure the best possible retirement program for our older population, consistent with our economic resources and with our national goals of growth and economic stability. Our two organizations are directly concerned with this objective.

The main thrust of our comments will relate to private pension fund saving and investment and their implications for economic growth and stability (part II of this paper). As an introduction to those comments, we will say a few preliminary words, which are not intended to be exhaustive, about our present retirement system and the achievements of the private pension system (part I of this paper).

I. OUR PRESENT RETIREMENT SYSTEM AND THE ACHIEVEMENTS OF
THE PRIVATE PENSION SYSTEM

We believe that any thoughtful examination of the retirement area should give recognition to the great achievements of our present retirement system. Essentially, that system is a mixed one, provided in part by the public sector and in part by the private sector of the economy. The social security system historically has provided a floor of protection; private pension plans and individual savings for retirement supplement this basic floor of protection.

Private pension plans offer unique advantages in this retirement system. Built on top of the floor of protection offered by social security, they possess a flexibility and a capacity for meeting individual retirement needs that cannot be matched by any mass public plan. They provide a means by which private enterprise, working through a voluntary system, can experiment and make adjustments to suit the individual circumstances of particular groups of employees in different firms, industries, and geographical locations. In general, they relate retirement benefits to the particular financial needs of individuals in different circumstances. Pension plans also have the advantage of being financed out of private funds, without the use of public funds derived from taxes. And, as will be developed later, they have the great virtue of helping to supply the savings and capital required for a dynamic growing economy.

Because private pension plans have these advantages, the life insurance business believes that they should play an expanding role in the provision for retirement income in the future. To achieve this, two factors are necessary.