

Celebrating 50 years of ERISA: America's Retirement Journey Continues to Evolve

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This year marks the 50th anniversary of ERISA, the Employee Retirement Income Security Act of 1974.

Most people don't recall the "why" of ERISA. At the time, even politicians and retirement experts could not have imagined how 401(k) plans would evolve from its passage, or that the creation of Individual Retirement Accounts (IRAs) would become a significant catalyst for retirement savings.

ERISA designers originally intended to simply protect participants' benefits and provide guidance and regulations for company retirement plans. In 1974, Defined Benefit and Profit-Sharing plans dominated the space. But thanks to ERISA (and a half-century of advances in technology) dramatic and positive change has occurred.

This led to the creation of the 401(k) system, with employees deferring part of their compensation on a tax advantaged basis, as well as the growth of the mutual fund industry, with its ability to daily value funds and account balances. Naturally, more legislation and regulations were created to keep pace.

For me, it's been an exciting journey.

In the early 1980s, I managed a bank trust department. We designed and secured IRS approval for our own 401(k) plan document. Of course, back then, it wasn't called a 401(k) plan. It was called a "Cash or Deferred Salary Arrangement" or "CODA"). Our IRS-approved plan document was only 14 pages long. How times have changed!

For plan administration and compliance, we had to manually track deposits and distributions and do all calculations on Green Columnar Ruled Ledger Paper. Desktop computers weren't yet standard office equipment. Our bank did have a mainframe system, but plan administration software wasn't available for it. So, we used nine-key calculators and lots of pencils and erasers. When we finally purchased an Apple II computer, we were amazed at how fast it could complete calculations and print output on a dot matrix printer. But administrative and compliance reports were still prepared manually using IBM Selectric typewriters.

By necessity, participant investment choices were limited, too. In our situation, they were either pooled in one of our quarterly valued collective investment trusts or created in separate trust brokerage accounts. We were not large enough to afford the technology required for a new idea called "daily valuation." Some insurance companies (which could afford the technology) became early innovators in 401(k) services.

But we weren't totally without technology. We were lucky enough to have one of our area's only "facsimile" machines, which we used to communicate with our investment custodian. We actually promoted our fax capabilities to potential clients, because—wow!—you could take a document and magically print it at another location across the country. It may seem like a small thing now, but at the time, our fax was a true difference-maker.

I tell these stories simply to underscore that when it comes to ERISA, I have truly seen it all. And I can promise that it will continue to change. To evolve.

Advances in technology will continue to allow for more services and opportunities that will help produce better outcomes for both plan sponsors and participants.

Organizations like the National Association of Plan Advisors, the American Retirement Association (ARA), and the other ARA sister organizations, will continue to advocate for employers and their workers.

While the 50th Anniversary of ERISA is a milestone, it doesn't mean ERISA is nearing retirement. I view it as an adolescent trying to decide what it wants to be when it grows up. It has a long way to go, but it demonstrates how we all have succeeded in growing Americans' retirement assets, which are now over \$30 trillion.

It's also why we must be vigilant in ensuring that Americans' retirement assets are protected and continue to grow. Many politicians see tax-deferred savings as a piggy bank. It's vitally important to keep these assets in the hands of the participants and beneficiaries who worked for them.

In the coming years, tax legislation will likely impact retirement planning in significant ways. Experienced advisors will continue to be needed to guide and serve plan sponsors and plan participants, while engaging as vocal advocates to protect and preserve their retirement savings.

It's an exciting time to be a leader in America's retirement industry.

We have come a long way in ERISA's first 50 years. And together, we have a long way to go.