

2008 Presidential Election: Candidates' Retirement and Related Economic Policies

June 30, 2008

About This Material

After a long primary election season, Barack Obama (D) and John McCain (R) are the presumptive U.S. presidential nominees, setting the stage for an historic general election in November 2008. Months of primary election debates and discussions among political analysts have brought several human resources (HR)-related policy issues to the forefront—such as health care, immigration, leaves of absence, and retirement plan reforms. Along with the struggling economy, these HR issues remain key concerns for the candidates and voters, and will likely be addressed in presidential debates and forums in the coming months.

Hewitt Associates' 2008 election reports sift through each candidate's political platform to discern the top issues in health care, employment, and retirement that could have an impact on employers when the new president takes office in 2009.

This report highlights the candidates' positions on retirement savings, executive compensation, and tax issues.

Hewitt will continue to follow the presidential race closely. For the latest 2008 election news and analysis, and to access all three 2008 election reports, please visit: <http://www.hewitt.com/2008election>

To visit the candidates' campaign Web sites directly, please see:

- Barack Obama: <http://www.barackobama.com>
- John McCain: <http://www.johnmccain.com>

2008 Presidential Election: Candidates' Retirement and Related Economic Policies

Recognizing that Americans are growing more anxious over the nation's financial condition, presidential candidates John McCain and Barack Obama have increasingly focused their campaign rhetoric on economic policy. In particular, both candidates have put forward proposals to reform personal income, social security, and corporate taxes. With respect to retirement plans, Obama has offered specific ideas to promote personal saving and access to retirement savings vehicles. McCain has not yet articulated his ideas on retirement security, focusing instead on broader tax reforms.

2008 Presidential Candidates on Retirement and Related Economic Policies

Issue	Barack Obama	John McCain
Retirement		
Retirement Accounts	<p>Proposes creation of an automatic workplace retirement account plan.</p> <ul style="list-style-type: none"> ■ Employers not already offering a retirement plan would be required to automatically enroll their employees in direct-deposit individual retirement accounts (IRAs), with an employee opt-out option. ■ Direct-deposit systems for the IRAs would work with existing payroll systems currently used by employers. Temporary tax credits would be available to defer employers' setup costs. ■ Employees could change the savings amounts, modify investments, or discontinue contributions to the IRA, even after enrollment. ■ Plan calls for automatic rollovers of savings when employees change jobs. ■ Employers would be required to offer a low-cost employer stock-free default investment option. 	No stated position.
Expansion of Saver's Credit	<p>Proposes to expand Saver's Credit.</p> <ul style="list-style-type: none"> ■ For families earning under \$75,000, the credit would match 50% of the first \$1,000 of savings and would be refundable. ■ Savings match would be directly deposited into personal accounts using Internal Revenue Service tax filing information. 	No stated position.
Annual Retirement Plan Disclosures	<p>Proposes to require employers to provide employees with full disclosures annually regarding their retirement plan's investments.</p>	No stated position.
Corporate Bankruptcy Reform	<p>Proposes reform of corporate bankruptcy laws to prevent payments of executive bonuses when workers' pension benefits are cut, increase the amount of unpaid wages and benefits workers can claim in court, and limit circumstances under which retiree benefits can be reduced.</p>	No stated position.

Issue	Barack Obama	John McCain
Compensation		
Executive Compensation	<p>As U.S. Senator: Introduced the Shareholder Vote on Executive Compensation Act (S. 1181), which would permit a separate, nonbinding shareholder vote to approve executive compensation (“say on pay”).</p> <p>The legislation also would require proxy solicitation materials for shareholder meetings on or after January 1, 2009 to disclose any compensation arrangements (e.g., golden parachutes) made with executives in the event of a sale or change-in-control that have not been subject to a shareholder vote.</p>	<p>Has stated that, under his reforms, “all aspects of a CEO’s pay, including severance arrangements, must be approved by shareholders.” (Remarks by John McCain at the NFIB and eBay 2008 National Business Summit)</p>
Minimum Wage¹	<p>Obama proposes increasing the current federal minimum wage, but does not indicate by how much. Additionally, he supports increasing the Earned Income Tax Credit, as well as indexing the federal minimum wage rate with inflation or increases in Congressional pay.</p>	<p>While this topic is not included in McCain’s campaign platform, his previous voting record has supported legislation increasing the minimum wage.</p>
Tax		
Social Security Payroll Tax	<p>Supports increasing the cap on wages subject to Social Security payroll tax but has said in interviews that he might consider exempting those earning between \$97,000 and \$250,000.</p>	<p>No stated position.</p>
Capital Gains	<p>Proposes an increase in the long-term capital gains tax rate from the current 15% rate to—possibly—25%. (Obama has not been specific on a new rate).</p>	<p>Proposes maintaining the long-term capital gains tax rate at 15%.</p>
Income Taxes	<p>Proposes raising the top income tax rate of 35% to 39.6%. Would keep the 10%, 15%, 25%, and 28% income tax rates. Would eliminate certain provisions of the 2001 and 2003 tax cuts that primarily benefit taxpayers with income over \$250,000. (“Your Tax Bill: How McCain, Obama Differ,” <i>Wall Street Journal</i>, June 18, 2008)</p>	<p>Would maintain the current income tax rates. Would permanently extend the 2001 and 2003 tax cuts.</p> <p>Alternative minimum tax: Would permanently extend and index the “patch” that prevents families with incomes under \$200,000 from being affected by the tax. (“A Preliminary Analysis of the 2008 Presidential</p>

¹ The July 2007 minimum wage law amended the Fair Labor Standards Act and raises the rate over the next several years (\$6.55 effective July 24, 2008 and \$7.25 effective July 24, 2009).

Issue	Barack Obama	John McCain
	Alternative minimum tax: Would permanently extend and index the “patch” that prevents families with incomes under \$200,000 from being affected by the tax. (“A Preliminary Analysis of the 2008 Presidential Candidates’ Tax Plans,” <i>Tax Policy Center</i> , June 11, 2008)	Candidates’ Tax Plans,” <i>Tax Policy Center</i> , June 11, 2008)

Source: Candidate’s official campaign Web site or legislative record unless otherwise noted.