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Author's Response to Comments by Faisal Siddiqi

By Rowland M. Davis

I greatly appreciate Faisal Siddiqi's discussion of my "Tracker Plan" paper. His overview and summary of the key elements are completely accurate, and I have no comments to add. I thank him for his generous comments in the pros and cons section. Mr. Siddiqi raises two interesting questions in section 5 that I will respond to:

1) *Implementation issues*: I completely agree that the political will for any significant pension reform is a major hurdle—perhaps insurmountable in the medium term. Fortunately, for the *Retirement 20/20* exercise we were encouraged to think broadly, and to propose the best solutions without compromising for the sake of political reality. With any new idea, gaining traction is a slow process. One area that may offer some hope is to implement some version of the Tracker Plan to cover a group of employees in a select situation. In the United States, many large public retirement plan systems are now considering significant reforms—and I believe the Tracker Plan concept could be a model for reform here.

2) *Comparison with Canadian PRPPs*: I am not expert on the new Canadian PRPP structure, but it seems to fall into the broad category often referred to as a "collective defined-contribution" (CDC) system. Some of these exist now in the Netherlands, and there have been some recent CDC-like proposals in the United States (Senator Harkin, the Center for American Progress, and the Pension Rights Center). I believe the Tracker Plan falls into this broad CDC category—but one of my goals was to have the full structure of the system defined so that it can operate without the need for future ad hoc decisions or adjustments. Some CDC arrangements offer intergenerational risk sharing (e.g., Dutch CDCs), and one area of research I am pursuing is to add an additional layer of intergenerational risk sharing to the Tracker Plan structure.