Private retirement plan coverage is not UNIVERSAL

- Only half of full-time private sector employees participate in a retirement plan
  - The coverage rate drops to 45% if part-time employees are included.
For millions of Americans, private retirement benefits are not **SECURE**

- Only 20% of American private-sector workers participate in traditional pension plans, which provide guaranteed, lifetime benefits.
- 30% of American private-sector workers rely entirely on 401(k) plans to supplement Social Security.

Private retirement benefits are not **ADEQUATE**

- Half of all workers with 401(k)-type plans had less than $25,000 in their accounts before the stock market meltdown.
  - The median 401(k) balance for workers over 55 was only $40,000 before the stock market meltdown.
  - The median 401(k) balance for older households was $98,000.
- The average 401(k) plan will replace approximately 20% of earnings at retirement.
Our retirement system is broken for millions of retirees

• Social Security benefits for the average retiree age 65 and over are $13,863 a year -- only slightly more than the federal minimum wage.
• Half of all people age 65 and over receive less than $17,382 a year from all sources.

www.retirement-usa.org
Principles for a New Retirement System

• **Universal Coverage.** *Every worker should be covered by a retirement plan in addition to Social Security.*

• **Secure Retirement.** *Retirement shouldn’t be a gamble.*

• **Adequate Income.** *Everyone should be able to have an adequate retirement income after a lifetime of work.*

Principles for a New Retirement System

• A Universal, Secure and Adequate Retirement System will have these features:
  – Shared Responsibility
  – Required Contributions
  – Pooled Assets
Principles for a New Retirement System

• A Universal, Secure and Adequate Retirement System will have these features:
  – Payouts Only at Retirement
  – Lifetime Payouts
  – Portable Benefits

Principles for a New Retirement System

• A Universal, Secure and Adequate Retirement System will have these features:
  – Additional Voluntary Savings
  – Efficient and Transparent Administration
  – Effective Oversight
Australia Superannuation

- Universal
- 9% Employer Contributions
- Voluntary Employee Contributions
- Government matching for low and moderate income workers
- Most amounts locked in until retirement age
- Portable benefits
- Jointly-managed fund administration

Netherlands Collective Defined Contribution Plans

- Shared responsibility
  - Employer contributions
  - Benefits tied to value of plan assets
- Lifetime payment stream
- Jointly negotiated and administered
- Portable benefits within industry
- Regulated by Dutch Central Bank
TIAA-CREF

• Shared responsibility
  – Employer contributions
  – Voluntary employee contributions
• TIAA provides 3% guaranteed return, plus dividends
• Lifetime stream of benefits preferred method of distribution
• Participant-elected board
• Portability

Guaranteed Retirement Account

• Shared responsibility
  – 2.5% employer contribution
  – 2.5% employee contribution
• Guaranteed 3% minimum return on investment, but with potential upside if investments perform well
• Voluntary contributions possible
• Portability
• Refundable tax credits
Guaranteed Retirement Account

- Benefits paid as inflation-adjusted annuities
  - Participants could take 10% of account as lump sum
- Administered by Social Security Administration
- Investments managed by Federal Thrift Savings Board or similar entity
- Designed to produce 71% income replacement with Social Security

Benefit Platform for Life Security/Guaranteed Benefit Plan

- All employees must have an individual or employer retirement savings plan
  - Government assistance for lower-income workers
- Employers could transfer most plan responsibilities (investment, administration) to independent benefits administrator
  - Benefits administrators subject to fiduciary rules
- Plan would include Guaranteed Benefit Plan
  - Hybrid plan, with benefits equal to employer contributions and annual interest credits
  - Benefits paid as lifetime stream of payments