



STATEMENT FOR THE RECORD  
SUBMITTED TO THE U.S. HOUSE OF REPRESENTATIVES  
WAYS & MEANS COMMITTEE

HEARING ON

“IMPROVING RETIREMENT SECURITY FOR AMERICA’S WORKERS”

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The Alliance for Retired Americans appreciates the opportunity to submit comments to the Committee on Ways and Means Subcommittee on Health regarding the hearing titled, "Improving Retirement Security for America's Workers." This hearing focuses on the multiemployer pension crisis, the lack of retirement savings among Americans and the need to expand Social Security benefits. It is imperative that Congress enact policies that improve retirement security, and we are pleased the committee is calling attention to this important issue.

Founded in 2001, the Alliance is a grassroots organization representing more than 4.4 million retirees and seniors nationwide. Headquartered in Washington, D.C., the Alliance and its 37 state chapters work to advance public policy that strengthens the health and economic security of older Americans by teaching older Americans how to make a difference through activism.

Americans of all ages are ill-prepared for retirement. A study by the National Institute for Retirement Security found that 77 percent of Americans fall short of the savings target for their age, even after counting the individual's net worth. Among individuals aged 55 to 64, 68.3% of them have retirement savings equal to or less than one times their annual incomes - an amount woefully inadequate. For Millennials, it is even more dismal: only 5% of those working are saving adequately for retirement, while two-thirds have \$0 saved for retirement.

These retirement shortfalls are due in part to the demise of traditional pensions. According to the Center for Retirement Research at Boston College, in the 1980s, 62 percent of workers had a traditional defined benefit pension. By 2017, that figure had dropped to 17% of workers. Many workers with defined benefit pensions are in danger of losing them, such as public employees, workers whose companies have filed for bankruptcy, and workers who are in multi-employer plans that are in danger of insolvency. The study also found that many employers don't offer a retirement plan. Only 51% of Americans 21- to 64-years-old had access to a retirement plan in 2014.

The savings shortfalls and decline and instability of defined-benefit pensions have forced more and more Americans to rely on Social Security for retirement income. Nearly 50% of Americans rely on Social Security for half their income; 25% of Americans over 65 rely on Social Security for 90% of their income according to multiple surveys, including one conducted by the Census' Current Population Survey. While ever more important, Social Security benefits are quite modest. According to the Social Security Administration, the average Social Security benefit for 2019 is \$1,461 a month or \$17,500 a year.

To make matters worse, Social Security payments are not keeping up with inflation. Social Security cost-of-living adjustments, created in 1972 to help retirees weather inflation and keep them out of poverty, is inadequate and does not represent a true measure of inflation that seniors face. In 2016, 9.3% of seniors over 65 lived in poverty, according to official poverty rate data. The measure is even larger (14.3%) if

you use the Census Bureau's Supplemental Poverty rate, which factors in out-of-pocket medical expenses. This number of seniors in poverty is higher still if race, gender, and age are taken into account. The poverty rate for Hispanics and Blacks is twice that of whites (17.4% and 18.8% v. 7.1%) and the poverty rate for women over 80 under the supplemental rate measure is 21.1%.

The high costs of prescription drugs also put pressure on seniors' finances during retirement. Many seniors who cannot afford their medications are forced to choose between food and medicine to make ends meet. Others have opted for rationing their drugs, while others forego them altogether, causing many to get sicker and end up in the hospital, or worse yet, die.

Beyond enacting laws to help younger and middle-aged Americans save more, there are a number of actions we can take to protect retirees. Congress must protect endangered defined benefit pensions, including public pensions, and keep them from further disappearing. Congress must also tackle the multi-employer pension crisis, which is threatening the pensions of over 1 million seniors. These retirees, who worked all their lives, paid into their pension plans and often chose pension contributions over pay raises, now find themselves financially devastated, with benefit cuts potentially as high as 60%.

The multiemployer crisis largely stems from an imbalance between active contributors and those receiving benefits, the liability of employee benefits from employers that are no longer participating, and the recession of 2008. Approximately 130 pension plans covering 1.3 million people in industries such as construction, retail, manufacturing, transportation, mining, and others are in danger of becoming insolvent, including Central States, with over 400,000 retirees and active workers.

Congress has an opportunity to protect these plans by enacting H.R. 397, the Rehabilitation for Multiemployer Pension Act, also known as "Butch Lewis", which was recently introduced by Representative Richard Neal. This legislation will provide low-interest 30-year loans to troubled plans in critical and declining status. Failure to pass this or another loan protection program could collapse the multiemployer trust fund administered by the Pension Benefit Guaranty Corporation (PBGC) – the government program that insures these plans - putting the benefits of 10 million pensioners at risk.

Congress should also repeal the windfall elimination provision (WEP) and government pension offset (GPO), which claws back workers' and their spouses' Social Security benefits if they worked for a period of time in jobs not covered by Social Security. Twenty-five percent of public employees nationwide, including millions of retired federal, state and local government employees who worked as teachers, police, firefighters and general employees and their survivors, are affected by these provisions. The GPO has a particularly harsh impact on moderate- and

low-income pensioners, with women affected disproportionately and more likely to end life in poverty.

Finally, Congress should expand Social Security by increasing benefits to current and future beneficiaries. This should include instituting the Consumer Price Index for the Elderly (CPI-E), an experimental measure kept by the Department of Labor that more accurately reflects the true costs of inflation for seniors; increasing the special minimum benefits for low-wage workers; and helping widows and widowers by ensuring that surviving spouses receive 75% of the total household Social Security benefits that they received prior to their spouse's death. In order to fund the benefit increases and extend the solvency of the Social Security Trust Fund, the Alliance supports lifting the payroll cap. We are opposed to the chained CPI, which would reduce Social Security COLAs; raising the retirement age; or raising the payroll tax on workers.

On behalf of its more than 4.4 million members, the Alliance for Retired Americans appreciates the opportunity to submit this testimony on this critically important issue and the Committee's interest in ways to increasing retirement security for current and future retirees.