COMMITTEE ON THE BUDGET
Chairman John Yarmuth

May 10, 2019

Hearing: Keeping Our Promise to America's Seniors – Retirement Security in the 21st Century

The three-legged stool is broken and Americans face major retirement gaps

By 2035, Americans aged 65 years and older will outnumber children under the age of 18 for the first time in U.S. history. With Americans living longer and our population aging rapidly, ensuring that current and future generations of seniors are able to enjoy a financially secure retirement is one of our greatest policy challenges. The House Budget Committee will hear testimony on May 15th from four witnesses on the need to strengthen retirement security for working families so that all Americans have the chance to retire with stability.

"Three-legged stool" of retirement security is broken — While previous generations relied on three legs of retirement income – employer-sponsored pensions, personal savings, and Social Security – that model is no longer a source of stability for today's workers and retirees. The decline of traditional defined benefit plans over the last 40 years has left Americans at higher risk of retiring with inadequate savings. Decades of wage stagnation, coupled with the worst recession in a generation, have also made it more difficult for workers to set money aside for their future. These shifts have spurred greater retirement insecurity among American workers, at a time when rising health care costs and longer lifespans are increasing the amount of resources they will need to sustain themselves through retirement.

Social Security is the foundation of American retirement security — As the only reliable leg left standing, Social Security plays an increasingly crucial role in seniors' economic security and single-handedly keeps millions of seniors out of poverty each year. While it was not designed to serve as retirees' primary income source, half of seniors today receive at least 50 percent of their income from Social Security, and one-fifth receive 90 percent or more of their income from the program. However, Social Security faces a long-term funding shortfall, endangering the program's ability to guarantee the full amount of earned and expected benefits workers are due. Improving retirement security will thus depend on strengthening Social Security to protect the program's long-term viability and expand benefits for hard-working families.

Workplace plans have limited coverage and are insufficient for a 21st century workforce — Nearly 30 percent of workers do not have access to any kind of employer-sponsored retirement plan, depriving millions of Americans of a critical tool for achieving retirement security. Beyond their failure to reach a broader group of Americans, workplace plans risk becoming obsolete in our 21st century economy. As more workers eschew full-time employment in favor of gig work and other alternative arrangements, retirement plans must evolve to provide portable coverage to our independent workforce. Modernizing and broadening access to employer-based plans can help ensure that all workers are able to plan for retirement in the new economy.

Millions of workers are in danger of losing their hard-earned pensions — About 10 million Americans participate in multiemployer defined benefit plans that allow middle-income workers to earn secure lifetime pensions. But many of these plans now face insolvency within the next decade following years of underfunding. If Congress fails to act, more than 1.5 million Americans risk seeing their monthly benefits slashed and their retirement incomes wiped away.

Women and minorities are especially at risk of retirement insecurity — For workers with lower lifetime earnings, wealth, and rates of pension coverage, retirement security may be even further out of reach. White retirees are almost twice as likely as black and Hispanic retirees to have private retirement savings and are significantly more likely to have savings through an IRA or 401(k) retirement account. Women also remain more economically vulnerable than men given their longer life expectancies and lower lifetime incomes – in part because they are more likely to leave the workforce for periods of time to have children. Indeed, women aged 65 and over are 80 percent more likely to be impoverished than their male counterparts.

Keeping our promise to current and future retirees will require more revenue — Providing workers with a decent standard of living upon their retirement is one of the most sacred promises we make to the American people. As our population ages, the federal budget will need to support more seniors over longer periods of time, requiring more federal spending in the years ahead. At the same time – absent increased immigration – lower birth rates will slow the growth of the labor force and the economy, putting even greater pressure on federal budgets. Meeting this fiscal challenge will require a clear-eyed acceptance of the demographic realities and a willingness to raise more revenue over the long run in a fair and responsible manner.

We cannot improve our fiscal outlook by gutting Americans' retirement security — Our long-term budget challenges should not be solved on the backs of retirees. Yet Republicans have a long history of calling for cuts to Social Security and other programs vital to seniors' economic well-being in the name of taming deficits made worse by their own unpaid-for tax cuts, including their 2017 tax law. Policymakers must reject these efforts if we are to close retirement gaps and ensure that all Americans can find financial stability and dignity after a lifetime of hard work.

The Budget Committee will learn more about strengthening retirement security for America's workers at this upcoming hearing. Expert witnesses who will inform our discussion include:

- **Ann Marie Cook (President and CEO, Lifespan of Greater Rochester)**
- **Melissa M. Favreault, Ph.D. (Senior Fellow, Urban Institute)**
- **Andrew G. Biggs, Ph.D. (Resident Scholar, American Enterprise Institute)**