

WRITTEN TESTIMONY

“TAKING A SERIOUS LOOK AT THE RETIREMENT CRISIS IN
AMERICA: WHAT CAN WE DO TO EXPAND DEFINED BENEFIT
PENSION PLANS FOR WORKERS?”

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- 1) Go-Fund-Me Pensions are Not the Solution
- 2) The Coming Retirement Security Problem
- 3) Solutions
 - i) Improving Current DB Plans
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- 5) International Comparisons
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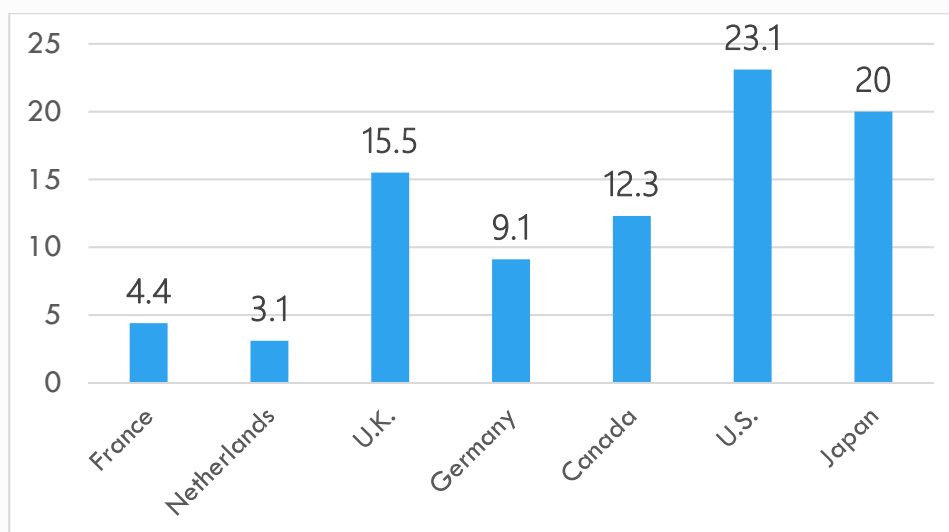
Go-Fund-Me Pensions Are Not A Solution

In April 2023, Betty Glover, a 91-year-old grocery store clerk in Oregon, could finally retire after a dedicated GoFundMe campaign raised \$82,000. Glover was not the only one with a GoFundMe pension. Earlier that year, 82-year-old Walmart cashier Butch Marion retired thanks to a kindly gentleman with a Tik-Tok video who raised money for Butch. In the same year, young Texas school children raised money for their 80-year-old janitor's retirement.¹

These outpourings of generosity are not feel-good stories. They reveal America's severely broken national retirement system where desperate seniors must work or rely on the kindness of strangers to dodge the increasing risk of elder poverty.

By international standards, elderly poverty in America is remarkably high: 23% of American elders are poor; in Canada the elder poverty rate is 12%; in the UK the elder poverty rate is over 15%; in France, it's 4.4%; and in the Netherlands (whose pension system consistently ranks as one of the world's best) just 3.1% of elders are poor.²

Table 1: The U.S. Tops Elder Poverty Rates Among Rich Large Nations (OECD)



The Coming Retirement Security Crisis

Most Americans over age 62 who are working do so out of necessity.³ At the end of their working lives, most Americans, except those at the top of the income distribution, do not

have enough money to retire. Forty-four percent of households with members aged 55-64 have no savings at all⁴ and will have to rely entirely on Social Security.

Social Security is the only source of significant retirement wealth for most households. In my recent research paper,⁵ my co-authors (Siavash Radpour and Jessica Forden) and I document where Americans who are about ready to retire have placed their assets. Using data from the Federal Reserve and University of Michigan, we found that wealth for the bottom 90% of households nearing retirement has fallen in real terms over the past 30 years.

The largest source of wealth supporting retirement security for the bottom 90% is Social Security. The median amount of retirement savings for all households is \$39,000, while the present value of their Social Security is worth over \$235,000.⁶ You may be surprised to learn that the median amount of home equity for all Americans is just \$60,000 for all households who are ages 51-64.

But the really telling of what is going on with typical Americans is what households are doing by socio-economic class.

For households in the bottom half, remember these are households who have lived their lives and now assessing where they stand in terms of retirement income security, they have next to nothing but Social Security. The bottom half have \$188,300 in Social Security; nothing in retirement accounts, and the median home equity amount is zero. For the next highest 40% in the wealth distribution the median Social Security wealth is \$300,500, \$200,000 in retirement accounts, and \$128,500 in home equity. For the top ten percent of households on the verge of retirement they \$311,800 in Social Security; \$764,700 in retirement accounts, and 305,000 in home equity.⁷ See Table 2.

Table 2: Median Wealth Levels In 2016, By Wealth Distribution For Households Aged 51-64

Median Wealth Levels in 2016 By Wealth Distribution For Households Aged 51-64			
Type of Asset/Debt	Bottom 50%	Middle 40%	Top 10%
Primary residence net of mortgage debt	\$0	\$128,000	\$305,000
Social Security	\$188,300	\$300,500	\$311,800
Retirement savings and benefits (DC, DB, IRA)	\$0	\$200,000	\$764,700
Other sources of wealth and debt	\$5,000	\$23,000	\$67,000
Net wealth	\$265,700	\$865,400	\$2,690,400

Source: Author's calculations using 1992 and 2016 HRS data and 2020 RAND-HRS longitudinal data.

The stark reality is that wealth has not grown for most people—despite pro-savings policies, home-owning incentives, countless revisions to the tax code and ERISA, the billions spent on financial advice, the thriving business in retail financial products, and hundreds of

billions of dollars in tax breaks for savings. Over a 20-year period, the share of the bottom 50% having any retirement account didn't change—46% in 1992 and 47% in 2016. Even the middle class suffered, with the share of the next 40% having retirement savings plunged from 85% in 1992 to a low of 71% in 2016.⁸

Anyone thinking that housing equity is the most important source of income for the middle class would be wrong. Home ownership has increased a bit for the bottom 50% but has fallen among the middle class and upper middle class. Home equity for the working and middle class has declined.

It's important to reiterate: According to the latest and best data available, the bulk of working-class wealth is in Social Security.

The stark fact that more seniors will be poor and financially fragile, either forcing them to depend on family members and their communities for basic needs or to withdraw from social interactions, is vast and severe. Almost all 70 million boomers will be over age 65 and their children make up an even larger cohort with no better wealth status. The United States' system of providing old-age income security is disjointed, behind the rest of our peers, expensive, and causes unnecessary shame, anxiety, and deprivation.

After 30 years of economic and policy changes since 1992, over half of workers still don't have a retirement plan at work; and for those that do, the median balance is about \$100,000, not nearly enough for a secure retirement.

For American households approaching retirement, the median retirement account balance is about \$100,000. The bottom 50% have a zero median balance—no savings at all—but they will need about \$400,000 to supplement Social Security and avoid poverty and maintain their pre-retirement living standards; the next 40%, middle-class older workers, have about \$60,000 in their retirement accounts—but they'll need about \$600,000 to maintain their pre-retirement living standards; and the top 10% (those with annual incomes over about \$140,000) have only \$200,000 but they'll need about \$3 million to keep their living standards.

Perhaps not surprisingly, the more you make, the more you're able to save. My research lab at the New School for Social Research found that high-income workers save 6.1 percent of their income for retirement, while workers in the bottom half save only 2.8 percent.⁹

Why such huge shortfalls? Many blame American consumerism and lack of discipline. But there is no evidence that Americans have suddenly become impulsive and lost all their restraint and fiscal probity. There is a great deal of evidence that Millennials and Generation X have more financial literacy than previous generations.¹⁰ Instead of blaming people for not surviving in the existing retirement system, we should blame the existing retirement system for failing hard-working Americans.¹¹

Over half of American workers are left out of the nation's most important wealth-building system—retirement accounts¹²—because more than half of U.S. workers don't have a pension nor a 401(k) at their current job. Not only do most jobs lack retirement plans, the lowest-paying jobs are the least likely to sponsor a retirement account. Employers don't have to offer a pension, and most no longer do. The voluntary nature of our system means a low- or middle-income worker most often does not have a chance to save 15% to 20% of their income on their own.

Over the last 40 years, the American pension system has eroded to the point where the U.S. system lacks the three basic elements of a well-designed pension system:

1. A well-designed pension system allows workers to accumulate money over their career.
2. A well-designed pension system allows workers to invest their retirement savings well.
3. A well-designed pension system makes it easy for retirement wealth to last a lifetime no matter how long you live.¹³

But most Americans do not have access to a well-designed pension system. The most effective way to save for retirement persistently is through tax-advantaged retirement savings accounts. As I mentioned above, most workers are not able to save for retirement in a workplace plan. And federal policy steers the bulk of the over \$270 billion tax subsidies for retirement to those in the top 20% of the earnings distribution, leaving behind low- and moderate earners.

Even if workers save enough, they don't have access to pooled and professionally invested funds like defined benefit (DB) plans do. DB returns exceed 401(k) returns by about 1%, meaning that workers without DB plans end up with 15-20% less for the same amount of contributions.¹⁴ And let's be honest: figuring out how to make \$100,000 last a lifetime is vexing for anyone.

Since for-profit corporations have dropped DB plans (though notably not as commonly in the Defense and Pharma sectors), some lawmakers, employers, and workers have tried to put DB features in the defined contribution (DC) system.

The United States receives low marks in global pension comparisons. In the Mercer CFA Institute Global Pension Index, the U.S. persistently earns Cs and Ds for its inadequacy of coverage, inadequacy of benefits, and poor integrity of regulatory and governance systems regarding protecting savers against conflict of interests.¹⁵

Nations that receive the highest marks in international comparisons for their pension systems have many DB features that are not offered in typical 401(k)-type, DC plans. Finland, for instance, has maintained a DB plan for its earnings-related pension system which covers all workers. The biggest barrier to wealth accumulation for most American households is lack of access to either a DB or a DC plan.

It's important to understand the impacts of America's shift from DB to DC pension plans. Though employers were never required to offer a DB plan (unless in a union agreement), every DB plan automatically enrolled every eligible worker—and employees could not opt out. This universality cannot be duplicated in the DC world, unless employers, or another entity like the government, contribute to every worker. 401(k) plans with DB features are more efficient than DC plans. In a typical DC plan, participants pay retail marketing, management, and annuitization fees—whereas DBs pay wholesale, meaning that more of each dollar saved goes toward retirement benefits under a DB plan.

There are ways to import some key DB features into DC plans to help protect workers from idiosyncratic risk, market risk, and longevity risk. DC plans could do what DBs do—help workers create professional, low cost, easy to understand portfolios. A sane set of choices in a self-directed DC plan can mimic the efficient low-cost portfolios in pooled DB funds and substantial reduction of a worker’s risk of making unwise or unlucky investment decisions. Also, DB plans have a long-term horizon—to mimic this, DC plans must steer workers into long-term investment to ride out bad market risks. And DB plans typically pay a monthly lifetime benefit upon retirement, thereby reducing the risk that a worker runs out of savings. DC plans could do that too, but it must be pooled.

The shift away from defined benefit plans DBs are structured so that people who are worn out from work or at risk of being involuntarily retired and pushed out can retire early. Thus, DBs are associated with lower risk of dying on the job and never having any retirement time. DBs are also associated with longer, healthier retirements, in which retirees spend less time sick and impaired.¹⁶ A well-funded DC account balance could give workers the same capacity to retire before dying, being too sick, or getting pushed out of the labor market.

The demise of DBs brings another big loss: DB benefits are often distributed as payments for life and DBs lower the risk of anxiety and depression in old age because it reduces the risk of running out of money before you die.¹⁷ (A well-designed DC plan, like the TSP, can mimic this annuity feature.)

Every worker deserves a retirement plan with automatic enrollment, simple and efficient investments, very low expense ratios, and matching contributions by the government (like the wealthy now have with top heavy tax breaks).

Solutions

What is to be done?

We must expand access to well-designed retirement plans. What is a well-designed pension plan? Remember the trinity of features of an effective retirement system: It provides for effective accumulation, efficient investment, and appropriate deaccumulation.

First, let’s look at accumulation. All workers need access to wealth-building savings plans and contribution matches from employers and government subsidies like the highest earners have now. Plans with DB-like features work best because they prevent leakage and have automatic enrollment.

Now let’s look at investment. All workers need access to a professionally managed, low-cost, efficient, and diversified financial portfolio, a basic feature of a DB plan. DB plans have automatic fiduciary protections.

And deaccumulation. All workers need a way to make retirement savings last a lifetime like DB plans and Social Security do. A DC plan can mimic those drawdown features, but they rarely do.

Pension reform will have to be bipartisan,¹⁸ and I am happy to be part of a bipartisan effort to help all Americans build wealth and retire at the end of their working lives. There is a great deal we can do to expand and enhance retirement security for Americans, as outlined below.

Improving Current DB Plans

A comprehensive strategy to advance retirement security would be to protect existing DB plans. This includes shoring up the Pension Benefit Guaranty Corporations. Many entities have gone back to a DB plan after experimenting with a DC structure. Alaska public employers are attempting to reverse their choice in 2006 to end their DB plans for public employees because of their unusually high turnover and substantial levels of teacher and public safety employees.¹⁹

Other efforts to amend ERISA to expand access are worthy. Senator Kaine's bill, the Helping Young Americans Save for Retirement Act²⁰, requires ERISA plans to offer access to workers starting at age 18 (instead of the current 21-year-old threshold). And Senator Kaine's Auto Reenroll Act of 2023 reinvigorated the auto-enroll trigger every three years, encouraging more workers to be auto-enrolled in a retirement plan. This measure should help some workers who tend to opt out when they were young, or are not as well paid, or had other reasons not to join to re-enter a retirement plan.

Auto IRAs

Bipartisan legislation like Secure 2.0 provided important first steps toward improving the system. But the reforms did not address the more than 69 million Americans without any retirement plan. Congressman Neal's auto-(IRA) Individual Retirement Account bill, for instance, would exclude workers who are self-employed and whose employers have less than ten employees. These exclusions could leave out as many as 45 million workers who need help the most.²¹ Additionally, IRAs only provide high-priced retail investment products, allow pre-retirement withdrawals that erode the value of assets by the time the person reaches retirement age (leakages severely erode the usefulness of retirement accounts for working people²²), and do not allow employer contributions. The Auto-IRA bills would be more accurately called the "Auto ILA" bills--instead of the "Individual Retirement Account" (IRA) they would be more accurately described as Individual Liquid Account (ILAs). Liquidity is good, everyone needs emergency savings and savings to buy a house and fund a child's life course, but if retirement savings is used for all those purposes there is no money left for retirement. Women and nonwhite families are especially vulnerable to leakages for family member needs.²³

Federal Thrift Savings Plan (TSP)

In 2021, I wrote a paper for the Economic Innovation Group, a bipartisan think tank here in Washington, with an economist on the other side of the political spectrum who I might not have crossed the room in a cocktail party to greet—Kevin Hassett, the former chair of the White House Council of Economic Advisors in the Trump administration. But we came together as economists worried about growing wealth inequality. We admire the Thrift Savings Plan design and want the more than 70 million Americans who currently do not participate in an employer-sponsored plan to be able to save safely and effectively for retirement.²⁴ Low-income workers in the populous states of Florida, Texas, and California would especially benefit since they have some of the lowest rates of pension participation among low-income workers in the country.²⁵

In our paper we found that after TSP adopted automatic enrollment, those plans with workers with a high school degree or less rose to 95 percent; and those in the bottom one-third of earnings also saw their participation rates rise to 95 percent. Experience with TSP and unions representing low-income workers—warehouse workers, laborers, textile workers, janitors, retail clerks, nurses’ aides—provides compelling evidence that workers left behind by the current top-heavy 401(k) system will avidly save for retirement in well-designed savings program.

It has been demonstrated by many experts and lawmakers that a comprehensive and bold retirement system plan can expand wealth-building to all American workers. Most notable was the comprehensive bill outlining Universal Savings Accounts (USA) by Senator Tom Harkin. I would also mention my proposals for a Guaranteed Retirement Account (GRA). I worked with the Economic Policy Institute to propose the establishment of GRAs right before the last financial crisis and most recently in 2015 book with co-author Tony James.²⁶ My new 2024 book, “Work, Retire, Repeat: The Uncertainty of Retirement in The New Economy” discusses a comprehensive set of reforms.

The Harkin bill²⁷ and the GRA include the following principles, which combine principles from Senator Harkin’s report to the HELP committee in 2012 and work from a coalition that came together after the financial crises in 2009. The principles are timeless, practical, and shared by the best systems in the world.

I recently served as a moderator in a high-level convening of administrators of several nations’ pension systems. I am sworn to confidentiality but I can say that the representatives from the countries that consistently earn the highest ratings in the Mercer Melbourne pension index told the small select group that their national systems earn those high ratings because they ignored pension advice from Americans and other interest groups that want to break up their systems into individual, voluntary accounts that people can choose not to participate in and withdraw money frequently before they retire and in lump sums at retirement.

Principles of Good Retirement Systems

The highly ranked Finnish system is mandatory, universal, provides earnings-related benefits even to very wealthy workers, and pays out an annuity for life. The benefits are advance-funded and managed by professionals. There is no leakage before retirement. Finland, the Netherlands, Denmark, and other nations that get high marks for their pension systems incorporate these 11 key principles:

1. **Universal and Automatic Coverage:** Every worker should be covered by a retirement plan, in addition to Social Security, and enrolled automatically as they are in Social Security. Most workers, including an increasing number of young workers, realize they should save for retirement, but there is significant competition for every dollar of earnings. Financial decisions are difficult and can cause a "freeze" reaction. When saving is easy and automatic, wealth grows.
2. **Secure and Guaranteed Retirement Income:** Retirement shouldn't be a gamble. Workers should be able to count on a steady lifetime stream of retirement income to supplement Social Security. The retirement system should provide people with certainty.
3. **Adequate Retirement Income:** The average worker should have sufficient income, together with Social Security, to maintain a reasonable standard of living in retirement.
4. **Shared Responsibility:** Retirement should be the shared responsibility of employers, employees, and the government. Many sources of contributions help build wealth.
5. **Required and Steady Contributions:** Having employers, workers, and employees all contribute helps build wealth. The government should subsidize the contributions of lower-income workers, not just the rich. In Finland, there is no ceiling on pension contribution amounts.
6. **Pooled Assets and Professional Portfolio Management:** The American retirement system is the only one in the OECD that expects people to become investment experts. Everyone should have access to prudent, professional asset management.
7. **Payouts Only at Retirement:** No withdrawals or loans should be permitted before retirement, except for permanent disability. Otherwise, those savings accounts are meant for worthy events to be financed, like emergency income shocks, economic downturns, medical, and life events.
8. **Lifetime Payouts:** Benefits should be paid out over the lifetime of retirees and any surviving spouses, domestic partners, and former spouses. DC plans, that have well-designed withdrawal options (like the Thrift Savings Plan and the DC plan I am in – the Teachers Insurance Annuity Association) can mimic the annuity type payout of DB plans and Social Security with well-structured de-accumulation strategies.
9. **Portable Benefits:** Retirement accounts should be portable when workers change jobs.
10. **Efficient and Transparent Administration:** The system should be administered by a governmental agency or by private, non-profit institutions that are efficient, transparent, and governed by boards of trustees that include employer, employee, and retiree representatives. All retirement assets should be in fiduciary accounts.

11. Effective Oversight: Oversight of the new system should be by a single government regulator dedicated solely to promoting retirement security.

Retirement Savings for Americans Act (RSAA) of 2023

If every worker without a plan had access to the elegant and well-designed retirement plan that every member of Congress and federal employee has, we would make big leaps in updating our system and securing retirement for all Americans. Fortunately, we now have that opportunity.

Senators John Hickenlooper (D-CO) and Thom Tillis (R-NC), and Representatives Terri Sewell (D-AL-07) and Lloyd Smucker (R-PA-11) have introduced the Retirement Savings for Americans Act (RSAA) of 2023²⁸ for private-sector workers without retirement plans at work. The RSAA is modeled after the highly successful federal Thrift Savings Plan (TSP). The RSAA includes many important features of a successful retirement system, such as automatic enrollment, portability, low fees, and good returns. After 40 years of matched contributions and a reasonable rate of return, someone earning \$30,000 annually without leaking could retire with about \$600,000 in savings paid out in an annuity.²⁹

The RSAA would also help fix the top-heavy retirement tax breaks in which the federal government currently provides the top 20% of taxpayers with over 60% of the \$267 billion spent.³⁰ To adequately cover all Americans, we need to smooth out this imbalance. The RSAA would provide a match of up to 5% for the workers in the bottom half of the earnings distribution saving 5% for retirement.

The RSAA will help raise the U.S. pension system performance compared to other nations at a fraction of what we already spend on high-income workers through the tax code. Importantly, the RSAA is a continuation of the longstanding bipartisan cooperation in Congress on retirement policy. It isn't just a good idea on paper; because it has endorsements organizations and experts across the political economy ideological spectrum -- including AARP and the Charles Schwab -- it is likely politically viable. It already has bipartisan, bicameral support. If there is a Secure 3.0, the RSAA should be the cornerstone of such legislation.

International Comparisons

As I mentioned earlier, the highly ranked Finnish, Dutch, and Danish pension systems have the design features of efficient and effective pension systems that provide universal coverage.

In Finland, universal coverage is ensured through statutory requirements that all workers, including self-employed individuals, be covered by a pension plan. In the Netherlands, occupational pension plans are established through industrial relations agreements.³¹

Many other nations with highly ranked pension systems prioritize the protection of low-income seniors, as evidenced by notable differences in elder poverty rates. For example, the Netherlands boasts a senior poverty rate of only 3.3%, in stark contrast to the U.S.'s 23%. The Netherlands provides a flat-rate, tax-funded state pension that is indexed to a percentage of minimum wages.

In Denmark, funded pension systems are administered at the sectoral or industry level rather than at the individual or firm level, ensuring efficient investment of funds.³²

Various sources of contributions play a crucial role in building wealth within other nations' highly ranked pension systems. For instance, in Finland, the Netherlands, and Denmark, pension systems explicitly acknowledge the responsibility of multiple stakeholders to ensure effective operation.

The Netherlands imposes restrictions on withdrawals from the state pension, permitting early withdrawal only from additional occupational pension schemes. The table includes the international ratings. The U.S. System ranks lower than Kazakhstan

Table3: International Rankings of Global Pension Systems – Mercer-Melbourne Index

System	Rank	Overall Grade	Total	Adequacy	Sustainability	Integrity
Netherlands	1	A	85	85.6	82.4	87.7
Iceland	2	A	83.5	85.5	83.8	80
Denmark	3	A	81.3	82.5	82.5	77.8
Israel	4	A	80.8	77	82.7	84.4
Australia	5	B+	77.3	70.7	78.4	86.1
Finland	6	B+	76.6	77.4	65.6	90.9
Singapore	7	B+	76.3	79.8	71.6	77
Norway	8	B	74.4	79.4	59.1	87.8
Sweden	9	B	74	72.1	75.6	75
UK	10	B	73	77.3	62.7	80.6
Switzerland	11	B	72	69.6	70.6	77.9
Canada	12	B	70.2	71.1	64.5	76.7
Ireland	13	B	70.2	77.1	54.4	81.1
Chile	14	B	69.9	60	71.3	84
Uruguay	15	B	68.9	84	46.2	76.5
Belgium	16	B	68.6	82	39.4	88.2
New Zealand	17	B	68.3	65.6	64.3	78.3
Portugal	18	B	67.4	86.7	32	85.9
Germany	19	B	66.8	79.8	45.3	76.3
Kazakhstan	20	C+	64.9	46.9	74.8	80
Hong Kong SAR	21	C+	64	51.9	61.1	87.6
USA	22	C+	63	66.7	61.1	59.5

Now I'd like to take us back to the U.S. and briefly look at the important and often overlooked relationship between good pensions and good jobs.

An Overlooked Effect of Universal Pensions: Better Labor Markets

Pensions help boost worker bargaining power. When people are financially secure enough to retire, like Betty Glover and Butch Marion, they have leverage to raise pay and working conditions for all workers. Yet, instead, desperation reigns in the U.S. labor market. Workers over age 55 are disproportionately represented in low-reward, high-effort jobs, such as home and personal care and janitorial services. At least two-thirds of workers aged 62 and older are working because they can't afford to retire. At the same time, many who need to work can't because of layoffs, bad health, outdated skills, and age discrimination.

In 2020, over one-fifth (21%) of the 35 million American workers 55 and over earned so little that they qualified as the working poor.³³ In comparison, 19% of mid-career workers—ages 35-54—earned wages low enough to be deemed working poor. (We use the conventional definition of low-wage as earning below two-thirds of the U.S. median annual hourly wage; the cutoff for low-wage was \$15.29 an hour in 2020.³⁴)

Despite the obvious solutions—improve the design, effort, and money into the retirement system—the prevailing mantras of “work longer” and “we don't need better pensions” persist. *The Economist* recently trumpeted, “why you should never retire.”³⁵ Working until you drop is not a civilized old age income support plan for a civilized society. The nation should not depend on people working longer to make up for inadequate retirement-income security or blame their flaws for old age poverty.

Conclusion

America's retirement payment crisis is significant as more baby boomers are retiring now and will live for another 15 years or more. Their children constitute a large generation and have lived under a system without robust defined benefit plans. Debt-creating institutions such as home equity loans, credit cards, and student loans have overwhelmed our wealth-creating institutions. SECURE, SECURE 2.0, and other incremental policies—while all good steps—are not bold enough or comprehensive enough for us to catch up to other nations' comprehensive pension systems that help people accumulate wealth, invest it well, and arrange it so that it lasts a lifetime.

On a personal note, over the decades that I have studied aging in America it is the stubbornly low relative status of elders' income security that always surprises me. Why do old people in America do so much worse than in other rich countries? When I was in college I thought the solution was just to increase Social Security and have people in their unions bargain for better pensions. I thought Medicare would add long term care insurance, I even thought the stock market and more home ownership would bring down elder poverty rates when my mother retired and shrunk them even more when I retired. But she retired at 72 and still depended on Social Security and a program for low-income seniors and generous cash gifts from my brother. And the fragility of seniors and their families has only grown.

I am so happy the Committee is paying attention people in the working and middle classes challenges to retire in dignity. My undergraduate and graduate students want to know why the U.S. fails in providing income support to the elderly when it can afford to.

In closing, I want to thank the HELP Committee members for your time, attention, and interest in this critical issue. Based on my thirty-plus years of study in this field, I want to strongly encourage this committee, the Senate, and Congress to think big and pursue bold, *bipartisan* comprehensive reforms that provide every hard-working American with the retirement security they need and deserve. It's an investment we can afford to make, and that will pay huge human and economic dividends.

NOTES:

¹“Grocery cashier, 91, can finally retire after raising \$75K on GoFundMe.” April 25, 2023. Michelle Butterfield. *Global News*. <https://globalnews.ca/news/9649410/grocery-cashier-retirement-gofundme-betty-glover/>; “A Maryland TikToker raised more than \$140K for an 82-year-old Walmart worker.” JANUARY 13, 2023. Jaclyn Diaz NPR. <https://www.npr.org/2023/01/13/1148742950/walmart-employee-gofundme-tiktok-retirement>; “Students raise more than \$270K so 80-year-old janitor can retire.” Gustaf Kilander. February 24, 2023. *The Independent*. <https://www.independent.co.uk/news/world/americas/janitor-retire-texas-student-fundraise-b2289203.html>

² Organisation for Economic Cooperation and Development. <https://www.oecd-ilibrary.org/sites/d76e4fad-en/index.html?itemId=/content/component/d76e4fad-en>

On average in the OECD, 14.1% of individuals over the age of 65 live in relative income poverty, defined as having an income below half the national median equivalized household disposable income.

³ Ghilarducci, T., Papadopoulos, M., & Webb, A. (2022). The Illusory Benefit of Working Longer on Retirement Financial Preparedness: Rethinking Advice that Working Longer Increases Retirement Income. *The Journal of Retirement*. Exhibit 1.

⁴ SCEPA and Economic Policy Institute 2023 Retirement and Older Worker Chart Book <https://www.epi.org/publication/chapter-2-retirement/#charts>.

⁵ Ghilarducci, T., Radpour, S., & Forden, J. (2024). No Rest for The Weary: Measuring the Changing Distribution of Wealth in The United States. Forthcoming in the *Review of Political Economy*. <https://ideas.repec.org/p/epa/cepawp/2023-02.html>

⁶ Ghilarducci, T., Radpour, S., & Forden, J. (2024). No Rest for The Weary: Measuring the Changing Distribution of Wealth in The United States. Forthcoming in the *Review of Political Economy*. <https://ideas.repec.org/p/epa/cepawp/2023-02.html>

⁷ Ghilarducci, T., Radpour, S., & Forden, J. (2024). No Rest for The Weary: Measuring the Changing Distribution of Wealth in The United States. Forthcoming in the *Review of Political Economy*. <https://ideas.repec.org/p/epa/cepawp/2023-02.html>

⁸ Ghilarducci, T., Radpour, S., & Forden, J. (2024). No Rest for The Weary: Measuring the Changing Distribution of Wealth in The United States. Forthcoming in the *Review of Political Economy*. <https://ideas.repec.org/p/epa/cepawp/2023-02.html>

⁹ No wonder there are 39 million workers aged 55 and older in the U.S.; and workers 75 and older are the fastest-growing age segment of the workforce. These workers aren't typically professors or lawmakers, many millions of older workers flood the labor market desperate to work in low-paying, physically demanding and dangerous jobs with little voice or power.

¹⁰ Carlin, B., Olafsson, A., & Pagel, M. (2017). *FinTech Adoption Across Generations: Financial Fitness in the Information Age* (No. w23798). National Bureau of Economic Research. "Millennials and Generation Z Are More Likely To Discuss Salary Than Older Generations." September 29, 2023. Jamela Adam. *Forbes*. <https://www.forbes.com/advisor/banking/talking-about-money-by-generation/>

¹¹ Complaints about 25-year-olds eating too much avocado toast and not saving for a house are common. But we should blame the system for leaving so many people out of the wealth-building system that retirement is becoming a luxury. <https://www.cnbc.com/2021/04/13/the-reality-of-millennials-spending-habits.html>.

¹² Ghilarducci, T., Radpour, S., & Forden, J. (2024). No Rest for The Weary: Measuring the Changing Distribution of Wealth in The United States. Forthcoming in the *Review of Political Economy*

¹³ The badly designed pension system means that the bulk of current and future older Americans will face relatively more fragility.

¹⁴ Munnell et. al. (2015). https://crr.bc.edu/wp-content/uploads/2015/12/IB_15-211.pdf Milevsky, M. A., & Promislow, S. D. (2004). Florida's Pension Election: From DB to DC and Back. *Journal of Risk and Insurance*, 71(3), 381-404.

¹⁵ Knox, D. (2023). *Mercer CFA Institute Global Pension Index 2023*. Melbourne: Mercer LLC. Retrieved from <https://www.mercer.com/assets/global/en/shared-assets/global/attachments/pdf-2023-mercercfa-global-pension-index-full-report-11-09-2023.pdf>.

¹⁶ Ghilarducci, T., & Webb, A. (2018). The Distribution of Time in Retirement: Evidence From the Health and Retirement Survey. *Work, Aging and Retirement*, 4(3), 251-261.

MEN AND WOMEN (Only significant results are reported)	Retirement Time (OLS)	Sick Share (Tobit)	Share who died without retiring (share with zero retirement time) (Probit)
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Black	-1.09	0.15	-0.02
Low Education		0.11	
Had Defined Benefit Plan	2.635	-0.03	-0.42
No Retirement Plan	-1.83	0.05	0.34
Married/Partnered	2.39	-0.08	-0.29
Observations	1246	1159	1246

¹⁷ Bender, Keith A., and Natalia A. Jivan. *What Makes Retirees Happy?* Vol. 28. Boston: Center for Retirement Research at Boston College, 2005.

Lim, H., & Lee, J. M. (2021). Retirement Income Sources and Subjective Financial Well-Being: A Comparison of Retirees and Non-retirees. *Journal of Financial Counseling and Planning*, 32(3), 517-534.

Bender, K. A. (2012). An analysis of well-being in retirement: The role of pensions, health, and ‘voluntariness’ of retirement. *The Journal of Socio-Economics*, 41(4), 424-433.

Panis, C. W. (2004). Annuities and Retirement Well-Being. *Pension Design and Structure: New lessons From Behavioral Finance*, 259-274.

¹⁸ In 2022, Congress passed SECURE 2.0, widely considered an effort at pension reform. But the bipartisan legislation enhanced tax breaks for higher earners and those with substantial wealth. It provided a refundable tax credit for only those low-income workers with a plan—leaving out over 60 million workers without a plan, who got nothing. Also, “penalty free” withdrawals encourage leakages before retirement, one of the main reasons for persistently low balances. SECURE 2.0 makes it too easy to withdraw retirement savings before retirement. There are no early withdrawal penalties for the first \$1,000 of emergency withdrawals, which is problematic because early withdrawals are one of the major causes of low retirement savings. If workers withdraw before retirement, they can’t get the Savers Match until they pay back the withdrawn amount or wait for three years. The upshot is that the “penalty free” withdrawal means losing the 50% savers match on their next \$1,000 of contributions, which is a huge implicit penalty. This leakage will significantly reduce the Savers Match benefits.

¹⁹ “Faced with recruiting crisis, Alaska mulls reopening of 2 pension plans.” Rob Kozlowski February 14, 2024, *Pensions & Investments*.

²⁰ <https://www.congress.gov/bill/118th-congress/senate-bill/3305> Helping Young Americans Save for Retirement Act S3305

²¹ Over 19 million workers work in establishments with less than nine employees, according to the BLS. <https://www.bls.gov/charts/county-employment-and-wages/employment-by-size.htm>

And another 24 million people are estimated to be gig or self-employed workers—15% of 160 million workers. Katz, L. F., & Krueger, A. B. (2019). The Rise and Nature of Alternative Work Arrangements in the United States, 1995–2015. *ILR Review*, 72(2), 382-416.

<https://doi.org/10.1177/0019793918820008>

²² Munnell, A., & Webb, A. (2015). The Impact of Leakages from 401 (k) s and IRAs. *Center for Retirement Research at Boston College*, (15-2). Argento, R., Bryant, V. L., & Sabelhaus, J. (2015). Early withdrawals from retirement accounts during the Great Recession. *Contemporary Economic Policy*, 33(1), 1-16. Butrica, B. A., Zedlewski, S. R., & Issa, P. (2010). Are Early Withdrawals from Retirement Accounts a Problem?. *Issue Brief*, 27. And Ghilarducci, T., Radpour, S., & Webb, A. (2019). New evidence on the effect of economic shocks on retirement plan withdrawals. *The Journal of Retirement*.

²³ Hill, J. D. (2022). Kin support of the Black middle class: Negotiating need, norms, and class background. *Social Problems*, 69(1), 3-21. and Richman, K., & Saad-Lessler, J. (2021). Retirement Savings and Resilience: A Comparison of Hispanic/Latinos' and Non-Hispanic/Latinos' Responses to Retirement Insecurity.

²⁴ The Thrift Savings Plan is a hybrid defined benefit and defined contribution savings program now available only to federal employees and members of the military. The TSP was first established in 1987 and has evolved to incorporate some best practices rooted in efficient portfolio management and behavioral science. TSP members—including most members of Congress and congressional staff—have automatic enrollment, a simple menu of investment options, an easy user interface, very low expense ratios, matching contributions by the government of up to five percent of income, and several other features that, when combined, have proven effective at encouraging remarkably strong participation among eligible workers.

²⁵ Economic Innovation Group. [How Much Does Retirement Plan Coverage Vary by State and Income? An Updated Look.](https://eig.org/state-retirement-coverage-2023/) (August 10, 2023) <https://eig.org/state-retirement-coverage-2023/>

²⁶ Ghilarducci, T., & James, T. (2018). *Rescuing Retirement: A Plan to Guarantee Retirement Security for All Americans*. Columbia University Press.

²⁷ Senator Harkin, C. T. (2012). The Retirement Crisis and a Plan to Solve It. *US Senate Committee on Health, Education, Labor and Pensions, Washington, DC*. And <https://www.epi.org/publication/principles-for-a-new-retirement-system/>

²⁸ S.5271 Retirement Savings for Americans Act of 2023. <https://www.congress.gov/bill/118th-congress/senate-bill/3102/text?s=1&r=2>

²⁹ This estimate assumes that someone contributes five percent of their annual income and receives a five percent match, that the account has a seven percent annual return, and that there are no early withdrawals.

³⁰ The federal government spent \$276 billion in tax incentives to support private retirement savings in 2019. Only \$16 billion went to the bottom 40 percent of income earners, while 60% went to the top 20%. Congressional Budget Office. “The Distribution of Major Tax Expenditures in 2019.” (Washington: 2021), available at www.cbo.gov/system/files/2021-10/57413-TaxExpenditures.pdf. Two analyses come from Center for American Progress (CAP) and Economic Innovation Group (EIG). <https://www.americanprogress.org/article/tax-breaks-for-retirement-savings-do-not-help-the-workers-who-need-them-most/> and <https://inclusivewealth.eig.org/federal-retirement-tax-benefits-are-mostly-used-by-the-wealthy-heres-how-to-make-them-work-for-everyone/> These estimates ignore the huge regressive tax breaks at the state level. Ghilarducci, T., & Cid-Martinez, I. (2015). Transforming Federal and State Retirement Tax Deductions to Refundable Tax Credits. *Marq. Benefits & Soc. Welfare L. Rev.*, 17, 87.

³¹ OECD (2023). Pensions at a Glance: Country Profiles – Netherlands.

<https://www.oecd.org/els/public-pensions/PAG2023-country-profile-Netherlands.pdf>

³² Jensen, S.E.H, Lassila, J, Määttänen, N. Valkonen, T & Westerhout, E. (2020). The Top Three Pension Systems: Denmark, Finland, and the Netherlands. *The Journal of Retirement*

<https://www.pm-research.com/content/ijretire/8/2/76>

³³ Ghilarducci, T., & Schuster, B. (2021). Working Longer Not a Panacea Considering the Number of Low-wage Work Options. *Generations Now*.

³⁴ OECD (2024). Wage levels (indicator). doi: 10.1787/0a1c27bc-en (Accessed on 23 February 2024) [Earnings and wages - Wage levels - OECD Data](#).

³⁵ “Why you should never retire.” January 25, 2024. *The Economist*.

<https://www.economist.com/business/2024/01/25/why-you-should-never-retire>