<u>Opening Statement</u>
<u>Finance Committee</u>
<u>Subcommittee on Social Security, Pensions and Family Policy</u>

Social Security & the Retirement Crisis

Retirement security in America has traditionally been thought of as a three-legged stool: Social Security, employer-provided pensions, and personal savings and investment.

The first leg of the "stool," Social Security, guarantees a modest but stable income during retirement years.

But it's not just for retirement security. It also provides basic financial security in the face of unexpected tragedy. Social Security provides a vital safety net to the disabled, the orphaned, and widows and widowers – something traditional retirement plans are unable to provide.

The other two legs of the "stool," personal savings and pension plans, build upon the bedrock of Social Security and allow families to maintain the standard of living they enjoyed while they were working. This protects our seniors but it also allows families to use their resources to buy homes, start families, and pay for education.

Without retirement savings, aging parents become dependent on their working-age children, preventing those children from saving for their own retirement and perpetuating the cycle of economic distress in the retirement years.

Unfortunately, for far too many Americans, Social Security is the only leg left standing.

The percentage of workers covered by traditional, defined benefit plans has been declining steadily over the past 35 years. There are now only some 30,000 private sector defined-benefit pension plans, down from 112,000 in the mid-1980s.

From 1979 to 2011, the proportion of private workers with retirement plans covered by defined benefit pension plans fell from 62 percent to 7 percent.

At the same time, the percentage participating in defined contribution plans, which inherently hold more challenges, increased from 16 percent to 66 percent.

Only half of America's defined contribution plans have auto-enrollment. At a time when we are told that we are in charge of our retirement futures, only one quarter of American workers have automatic access to a defined contribution plan.

Today, about half of the US workforce is covered by an employer-sponsored retirement plan, meaning that nearly half of Americans are not participating in any employer-sponsored plan.

And that is the larger problem.

Working families are being squeezed from every angle. Wages are stagnant. Home values have plummeted.

And tuition costs for our children are increasing at the time we begin to care for our aging parents.

Today, middle class and low-income seniors rely on Social Security for the majority of their retirement income, while workers aged 50 – 64 are increasingly unprepared for retirement

The challenges facing workers are dire.

The vast majority of economic gains in the last 25 to 30 years have gone to those at the very top of the income distribution in this country.

Middle-class workers have not shared in the economic gains or seen increased income associated with increased productivity and higher corporate profits – meaning costs go up, but the ability to save declines.

The picture gets bleaker when considering racial disparities in wealth. Today, the median wealth of white households is 20 times that of black households and 18 times that of Hispanic households – the largest ratios since the government began publishing this data about 25 years ago.

These factors are why most Americans have saved only a fraction of what they need for retirement. Workers approaching retirement age have an average retirement savings of less than $27,000.

One third of Americans aged 45 – 64 have nothing saved for retirement at all.

The numbers are no better for workers with a retirement plan. In 2010, 75 percent of Americans nearing retirement age had less than $30,000 in their retirement accounts.

For minority workers the situation is dire, with a median retirement account balance of $30,000. Eighty percent of Latino households age 25 – 64 have less than $10,000 in retirement savings.

These facts illustrate how great the need is for maintaining and expanding Social Security – the only source of guaranteed lifetime benefits on which most retirees can rely.

Social insurance doesn't just provide much needed financial support. It ensures that hardworking middle-class people can retire with dignity.

For the majority of recipients, these modest benefits provide over half of their income — lifting over 22 million Americans out of poverty.

The program is not only retirement insurance, it is family income insurance: One-third of benefits go to children, widows, and the disabled. And one in ten children today lives with a grandparent.

Rather than asking how we should scale back the program, we should be asking ourselves how we can strengthen it – and not by reducing benefits or raising the retirement age.

Maintaining or expanding Social Security is the single most effective thing we can do to prevent poverty and economic ruin for millions of senior citizens, while promoting economic mobility for their children and grandchildren.

The budget debate creates a vacuum that does not take into account the economic impact of Social Security programs.

Yes, Social Security benefit cuts will decrease our ten-year deficit, but such cuts do not consider the impact on seniors, their families which then must support them, and current middle- and low-income workers.

Social Security is not a simple budgetary issue – it is a macroeconomic issue. Shifting the costs from the federal ledger does not resolve our retirement and savings problems.

Social Security reforms should be considered as part of the Finance Committee's examination of the burgeoning retirement crisis. And I see this hearing as an important first step in that direction.

I want to yield to my ranking member, Senator Toomey. The Senator and I may disagree on policy particulars, but we both know that these issues are critical for our country, and I am thankful that he is willing join me in examining and engaging in this critical work.

###