



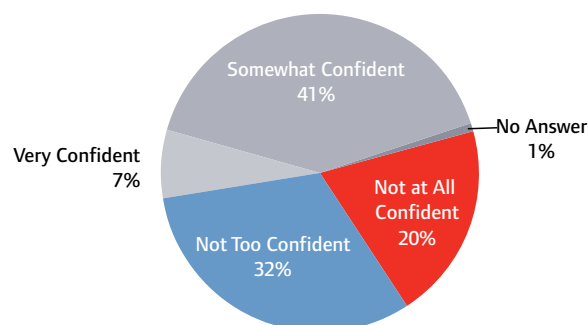
STABLE POLICIES THAT ENSURE RETIREMENT SECURITY

Fast Facts

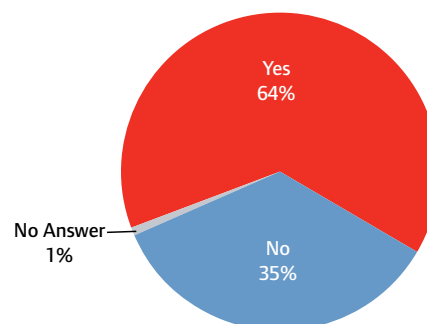
- ▶ As of September 30, 2011, tax-qualified retirement plans held \$17 trillion in assets. These assets provide long-term investment capital, fuel growth, create jobs and boost economic security.¹
- ▶ In the private sector, there were 67 million participants in defined contribution plans and 19 million participants in defined benefit plans as of 2007.²
- ▶ Seventy-three percent of full-time private-sector workers have access to a retirement plan at work, and employer-sponsored retirement plans paid out \$836 billion in benefits in 2010.³
- ▶ In 2010, social security paid \$577 billion in retirement benefits to 44 million people.⁴
- ▶ By 2036, the combined Social Security Trust Funds will be fully exhausted, and program income will cover only about 75 percent of expenditures.⁵
- ▶ Fifty percent of workers indicated that they are not confident about having enough money to live comfortably after retiring,⁶ and nearly three-quarters of baby boomers report that they intend to work past their retirement years.⁷

Recent survey data suggest that Americans are increasingly pessimistic about their retirement finances.

Looking ahead to your retirement, how confident are you that you will have the financial resources to live comfortably during your retirement?



Do you think you will do any work for pay after you retire, or not?



Source: Associated Press-LifeGoesStrong.com survey, October 2011

In the late 1930s, when Social Security first started, roughly half of the U.S. population lived to be at least 67 years old. Today, more than 80 percent live to be at least 67, and half the population will reach the age of 82.⁸ As America continues to age, promoting prudent retirement saving and ensuring a fiscally sustainable Social Security safety net become ever more essential public policy goals.

Stable and predictable policies that promote retirement security and economic growth are essential to ensure a reasonable standard of living for most Americans in retirement and to make the United States a more attractive place for skilled workers and businesses. While the primary responsibility for ensuring a secure and comfortable retirement lies with the individual, employers and government also play key supporting roles through Social Security and employment-based retirement plans and in informing Americans about their retirement options.

Social Security

Social Security has provided a reliable level of retirement security for decades, but demographic changes mean that the system is not sustainable in its current form. Social Security reform is needed so that it can remain the bedrock of Americans' retirement security. Reforms that bring Social Security into long-term financial balance should be made as soon as possible to minimize disruption and allow time to plan.

Although Social Security must meet its promises to current retirees and those nearing retirement, long-term benefit promises must be based on demographic and economic realities. In particular, further increases in payroll taxes are not a panacea; they would increase costs of employment and should be viewed through the lens of potential job loss and slower economic growth.

*“Pension policy must provide employers with the **certainty** that will allow them to make new capital investments, to hire new employees, and to make R&D investments.”*

— Larry Zimbleman, Chairman, President and CEO, Principal Financial Group, Inc.

Employment-Based Retirement Plans

Robust employment-based defined benefit and defined contribution retirement plans are an indispensable component of America's national retirement savings strategy. The success of those plans is predicated on tax rules that create incentives for employers to contribute to retirement plans and that encourage workers to save. In the past, retirement tax policy has sometimes been changed based on a short-sighted focus on immediate budgetary savings, without consideration of the potential long-term economic and social damage caused by such changes. That approach is counterproductive. Policies that promote long-term savings and investment offer the best path to sustainable economic growth and ensure greater retirement security.

At the same time, complex and burdensome new regulations, along with a growing threat of unjustified legal actions, continue to increase costs and discourage employers from establishing and maintaining retirement plans. To compete in a global marketplace, employers must have flexibility to implement retirement plans that attract and retain qualified employees. In particular, the current funding rules inadvertently impose volatile and unpredictable contribution requirements on employers, which is contributing to slowing the economic recovery and hampering job creation.

Individual Responsibility

To achieve financial security in retirement, most Americans will need to make regular additions to savings. They also will need to make responsible decisions about when to retire and how to spend down their retirement savings prudently. Current policies can create disincentives to continued work, impose barriers to phasing into retirement and discourage employers from educating workers about retirement issues.

Solutions

- ▶ **Retain current tax policy**, with its strong, consistent incentives for employers and employees to contribute to defined benefit and defined contribution retirement plans. These contributions are a key component of America's national retirement savings strategy.
- ▶ While it is important that all defined benefit plans be systematically funded to ensure that benefits are paid, **modify the current private-sector funding rules** to eliminate volatile and unpredictable contribution increases, especially during periods of economic downturn.
- ▶ **Ensure that laws and regulations safeguard retirement fund assets.** They should not subject employers to costly administrative burdens or penalties, unwarranted litigation, or excessive Pension Benefit Guaranty Corporation premiums.
- ▶ **Ensure that policies do not discourage retirees from continued work or phasing into retirement.** Regulations should not discourage employers from informing workers about saving for retirement and aiding employees with investment decisions or other financial choices.
- ▶ **Enact reforms that bring Social Security into long-term financial balance** as soon as possible to minimize disruption and give Americans the lead time to plan appropriately.

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- 1 Investment Company Institute. (2011). *Retirement assets total \$17.0 trillion in third quarter 2011*. Washington, DC. Retrieved from www.ici.org/pressroom/news/ret_11_q3
 - 2 Borzi, P. (2010). *Testimony of Assistant Secretary of Labor, Employee Benefits Security Administration, before the Special Committee on Aging*. Washington, DC. Retrieved from www.dol.gov/ebsa/newsroom/ty061610.html
 - 3 American Benefits Council, American Council of Life Insurers. (2011). *Statement for the record: United States Senate Committee on Finance hearing on tax reform options: Promoting retirement security*. Washington, DC. Retrieved from www.americanbenefitscouncil.org/documents/retirement_sfc-hearing-statement_council-acli091511.pdf
 - 4 Social Security Administration. (2011). *A summary of the 2011 annual reports*. Washington, DC. Retrieved from www.ssa.gov/oact/STATS/table4a5.html and www.ssa.gov/oact/STATS/OASDIbenies.html
 - 5 Social Security Administration. (2011). *The 2011 annual report of the Board of Trustees of the federal old-age and survivors insurance and federal disability insurance trust funds*. Washington, DC. Retrieved from www.socialsecurity.gov/OACT/TR/2011/tr2011.pdf
 - 6 Employee Benefit Research Institute. (2011). *2011 retirement confidence survey*. Washington, DC. Retrieved from www.ebri.org/pdf/surveys/rcs/2011/FS1_RCS11_Confidence_FINAL1.pdf
 - 7 Associated Press-LifeGoesStrong.com. (2011). *Boomers survey October 2011*. Palo Alto, CA. Retrieved from http://surveys.ap.org/data/KnowledgeNetworks/AP_Boomers%20Survey_Topline_20111014_Finances.pdf
 - 8 U.S. Department of Health and Human Services. (2010). *National vital statistics report*. Washington, DC. Retrieved from www.cdc.gov/nchs/data/nvsr/nvsr58/nvsr58_21.pdf