

RETIREMENT USA

Working for a *Universal, Secure, and Adequate* Retirement System

Preamble to Principles for a New Retirement System

The current financial meltdown highlights the inadequacy of America's retirement system. Social Security is the only reliable and guaranteed benefit for most American retirees. But Social Security pays the average retiree income only the same amount our lowest wage workers receive through the minimum wage. A typical retiree needs almost twice that amount to preserve a reasonable standard of living. Our retirement system assumes that retirees will have sufficient income from other sources to supplement Social Security. The problem is that most do not. As a result half of all people age 65 and over are trying to make ends meet on income of less than \$17,382 a year.

About half of American workers in the private sector do not participate in any private retirement plan, and the majority of those who do participate are in retirement savings arrangements that are dependent on the vagaries of the stock market. Even before the economic collapse most workers had accumulated very little in these plans. Half of all private sector employees contributing to 401(k)-type plans had less than \$25,000 in their accounts, and older employees had median account balances of \$40,000. Only one-fifth of all private sector workers are covered by secure pension plans. America deserves a retirement system that is Universal, Secure and Adequate. Accordingly, we believe it is imperative to lay out principles that should guide us as we begin an important national dialogue on how we can do better for American workers in the future.

Underlying the principles we are putting forward today are the following shared beliefs:

- Social Security is the cornerstone of American retirement security. The current economic crisis and the resulting decline in individual retirement savings, combined with the continuing disappearance of defined benefit pension plans, are powerful reminders of the importance of Social Security. Social Security must be preserved and strengthened.
- Defined benefit pension plans remain the soundest vehicles for building and safeguarding retirement income security. We must make every effort to stabilize these plans and encourage employers to offer and maintain them.
- We must strengthen worker protections for 401(k) and other defined contribution plans, which help millions of Americans build retirement savings.

While we remain committed to preserving and improving those current pension and 401(k) plans that are providing adequate and secure benefits for workers, we cannot ignore the fact that the current system – regardless of how many changes are made – will remain inaccessible, inadequate and/or insecure for millions of workers. Therefore, we must begin a dialogue now about the type of retirement system we need for the future.

We are not here today to endorse any particular system, but to offer the following set of principles as guideposts against which all proposals should be evaluated.