



# RETIREMENT **USA**

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

[www.retirement-usa.org](http://www.retirement-usa.org)

## Private retirement plan coverage is not **UNIVERSAL**

- Only half of full-time private sector employees participate in a retirement plan
  - The coverage rate drops to 45% if part-time employees are included.

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## For millions of Americans, private retirement benefits are not **SECURE**

- Only 20% of American private-sector workers participate in traditional pension plans, which provide guaranteed, lifetime benefits.
- 30% of American private-sector workers rely entirely on 401(k) plans to supplement Social Security.


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## Private retirement benefits are not **ADEQUATE**

- Half of all workers with 401(k)-type plans had less than \$25,000 in their accounts *before* the stock market meltdown.
  - The median 401(k) balance for workers over 55 was only \$40,000 *before* the stock market meltdown.
  - The median 401(k) balance for older households was \$98,000.
- The average 401(k) plan will replace approximately 20% of earnings at retirement

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Our retirement system is broken for  
millions of retirees

- Social Security benefits for the average retiree age 65 and over are \$13,863 a year -- only slightly more than the federal minimum wage.
- Half of all people age 65 and over receive less than \$17,382 a year from all sources.

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## Principles for a New Retirement System

- **Universal Coverage.** *Every worker should be covered by a retirement plan in addition to Social Security.*
- **Secure Retirement.** *Retirement shouldn't be a gamble.*
- **Adequate Income.** *Everyone should be able to have an adequate retirement income after a lifetime of work.*

## Principles for a New Retirement System

- A Universal, Secure and Adequate Retirement System will have these features:
  - Shared Responsibility
  - Required Contributions
  - Pooled Assets



## Principles for a New Retirement System

- A Universal, Secure and Adequate Retirement System will have these features:
  - Payouts Only at Retirement
  - Lifetime Payouts
  - Portable Benefits



## Principles for a New Retirement System

- A Universal, Secure and Adequate Retirement System will have these features:
  - Additional Voluntary Savings
  - Efficient and Transparent Administration
  - Effective Oversight

## Australia Superannuation

- Universal
- 9% Employer Contributions
- Voluntary Employee Contributions
- Government matching for low and moderate income workers
- Most amounts locked in until retirement age
- Portable benefits
- Jointly-managed fund administration

## Netherlands Collective Defined Contribution Plans

- Shared responsibility
  - Employer contributions
  - Benefits tied to value of plan assets
- Lifetime payment stream
- Jointly negotiated and administered
- Portable benefits within industry
- Regulated by Dutch Central Bank

## TIAA-CREF

- Shared responsibility
  - Employer contributions
  - Voluntary employee contributions
- TIAA provides 3% guaranteed return, plus dividends
- Lifetime stream of benefits preferred method of distribution
- Participant-elected board
- Portability

## Guaranteed Retirement Account

- Shared responsibility
  - 2.5% employer contribution
  - 2.5% employee contribution
- Guaranteed 3% minimum return on investment, but with potential upside if investments perform well
- Voluntary contributions possible
- Portability
- Refundable tax credits

## Guaranteed Retirement Account

- Benefits paid as inflation-adjusted annuities
  - Participants could take 10% of account as lump sum
- Administered by Social Security Administration
- Investments managed by Federal Thrift Savings Board or similar entity
- Designed to produce 71% income replacement with Social Security

## Benefit Platform for Life Security/Guaranteed Benefit Plan

- All employees must have an individual or employer retirement savings plan
  - Government assistance for lower-income workers
- Employers could transfer most plan responsibilities (investment, administration) to independent benefits administrator
  - Benefits administrators subject to fiduciary rules
- Plan would include Guaranteed Benefit Plan
  - Hybrid plan, with benefits equal to employer contributions and annual interest credits
  - Benefits paid as lifetime stream of payments



