



Retirement (In)Security for Today's Workers

William J. Arnone, CEO
National Academy of Social Insurance

 @socialinsurance

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Retirement Insecurity for Today's Workers

- What are the retirement prospects for today's workers?
- Has the “**three-legged stool**” become a **pogo stick**?
- What are the risks facing today's workers that are *not* currently covered by social insurance?

Defined Benefit Pension Plans



Steadily declining since the early 1980s

- In 1979, **38%** of private sector employees participated in traditional pension plans
- Today, only **14%** of workers today have access to these types of plans

Defined Contribution Plans



401(k) plans and IRAs have underperformed:

- Among those nearing retirement:
 - **Two-thirds of White families** have some type of retirement account
 - Only **four-in-ten Black** and **three-in-ten Latino** families
- Median balance for all working-age households...

\$2,500

- **Fewer than half** have *any* private retirement account assets
- Working households age 55-64: **62%** have not accumulated retirement savings equal to or greater than their annual income

Defined Contribution Plans



- Factors limiting savings opportunities for many of today's workers:
 - Stagnant earnings
 - Growing debt obligations
 - Rising living costs, especially for health care
 - Caregiving responsibilities

Social Security

- Leading source of income for most retired workers and their spouses
 - **41 million** retired workers received Old Age benefits in 2016
 - **10.6 million** workers, children, and spouses received Disability benefits
 - **6 million** spouses and children received Survivor benefits
 - Keeps **22 million** out of poverty
 - Provides **33% of all income** for those over age 65

BUT:

- Increase in Normal Retirement Age
- Reduction in Survivor Benefits for Students/Children over 18
- Inadequate Cost-of-Living Adjustments
- Reduced Replacement Rates



Social Security

- Social Security's benefit package is the **largest financial asset** for many:



- Survivor protection: 30-year-old worker with spouse, two young children has benefits of over **\$612,000**
- Disability protection: **Over \$631,000**

Social Security

- Without any changes, **52%** of households will not be able to maintain their living standards in retirement
 - Much worse for people of color and with low incomes with shorter life expectancies
 - Growing inequality in income distribution and longevity
 - By **2050**, benefits will be **24%** lower due to 1983 Social Security Act Amendments

Medicare

Medicare covered **57 million** in 2016

- Projected to grow to **90 million** by 2040
- Part B and D premiums are increasing at rates faster than Social Security benefits
- High out-of-pocket costs are still a burden for many beneficiaries
- Does *not* cover dental, vision, hearing, long-term care
- Has outperformed private health insurance in holding down the growth of costs



Medicaid

- The nation's largest public insurer: **Over 70 million** covered
 - Expansion extended coverage to low-income adults under age 65 in 31 states and District of Columbia
 - Primary funder of long-term services and supports, but wide variation among states



Risks *Not* Covered by Social Insurance

- Long-Term Services and Supports
- Caregiving
- Nonstandard work



Long-Term Services and Supports

- Source of insecurity, anguish due to unpredictable risk and catastrophic consequences
- Currently delivered piecemeal, costly
- **Over half** of all older Americans are expected to experience a high need for care
- **One-in-six** will spend over \$100,000 out-of-pocket
- Private insurance market is shrinking; currently finances **less than one-tenth** of total spending
 - Carriers face low interest rates on reserves, higher policy retention rates, unpredictably high payouts, adverse selection
 - Consumers face unaffordable premiums, insufficient coverage



Long-Term Services and Supports

- Can the private insurance market be revitalized?
 - Would a catastrophic universal public plan create a framework for private front-end insurance plans to function?
 - Would more employers add coverage as an employee benefit?
 - Would refundable tax credits or subsidies encourage more individual purchases
 - Would hybrid products be more attractive?
 - Would greater consumer protections improve public perception of the private market?
 - Would federal reinsurance, stop-loss insurance, or some form of public-private partnership help?

Caregiving

- Currently **17.7 million** are providing care to an aging relative – most without paid support
 - For caregiving women in their 50s who leave the workforce, average lifetime loss in earnings exceeds **\$300,000**
- Aging of Boomer Generation (1946-64)
 - Caring for parents, children, siblings, and selves
 - Gap in availability of paid caregivers will worsen caregiver-to-care-recipient ratio
 - Women spend more than twice as much time as men caring for household members, but men's caregiving role is growing
 - Reduction in Social Security benefits when out of the workforce



Caregiving

- Every advanced industrial country has enacted social insurance programs, mostly funded with payroll contributions, to protect against risk of lost earnings due to caregiving – with one exception
- Family and Medical Leave Act of 1993 offers job-protected, unpaid leave
 - **BUT:**
 - Over **40%** of employees are not eligible
 - Only **14%** had access to paid leave

Caregiving



- Potential reforms to support caregivers
 - ✓ Social Security credits for caregiving
 - ✓ Caregiver tax credit
 - ✓ Child care subsidies
 - ✓ Universal Family Care: An integrated social insurance fund to cover paid leave, child care, and long-term services and supports

Nonstandard Work

- Workers' traditional relationships with employers have been fracturing
- Temporary, on-call, or contract work: **15.8%** of total workforce in 2015 (up from **10.1%** in 2005)
- All of labor growth equaled growth of alternate work arrangements
- In 2010, **40.4%** of workforce were contingent workers (independent contractors, self-employed, and standard part-time workers)



Nonstandard Work

- Many lack access to employer-based benefits, such as retirement plans and health insurance
- Often also lack social insurance protections against workplace injury, disability, and involuntary unemployment, especially if classified as “independent contractors”
 - Miss out on employer contributions to Social Security

Conclusion

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“Sharpening divisions in income and wealth over the past four decades... pose profound threats to retirement security for today’s workers. Retirement security – and indeed, retirement itself – are becoming increasingly difficult to achieve for low-and-middle-income workers.”

- *Report to the New Leadership and the American People on Social Insurance and Inequality* (National Academy of Social Insurance, 2017).