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2017 IFPTE Issue Brief

115th Congress

Retirement Security - Important Now More Than Ever

Overview - "More and more workers are facing a retirement crisis"

If national lawmakers do nothing to fix our retirement crisis, more than half of workers today will fall short of maintaining an adequate standard of living come retirement. In fact, according to a March, 2015 report from the National Institute on Retirement Security, "the typical working household still has virtually no retirement savings." The report, entitled *The Continuing Retirement Savings Crisis*, found that, "the median retirement account balance is \$2,500 for all working-age households, and \$14,500 for near-retirement households," and that nearly four out of five households have less than one time their annual income in retirement savings (see charts on reverse side). This data reinforces a sobering report that was released five years ago that predicted this retirement crisis. That report was issued in 2012 by former Senate Health, Education, Labor and Pensions (HELP) Committee Chairman, Tom Harkin (D, IA), and found that half of Americans have less than \$10,000 in savings for retirement; just one in five private sector workers is covered by a defined pension benefit plan; and, the retirement to income deficit between actual retirement savings versus projected retirement savings is \$6.6 trillion.ⁱ More recently, a March 2015 report by the National Institute of Retirement Security found that, "Nearly 40 million working-age households (45 percent) do not own any retirement account assets, whether in an employer-sponsored 401(k) type plan or an IRA." ⁱⁱ

Despite the Harkin report five years ago to the more recent National Institute on Retirement Security report, the Congress has unfortunately failed to properly deal with the retirement crisis many Americans are facing.

While IFPTE continues to believe in robust defined pension benefit programs provided by employers, the fact of the matter is that more and more workers are facing a retirement crisis because of unfair corporate bankruptcy laws and an unjust pivot by many employers to force their way out of providing defined pensions. As long as Congress fails to address these causes of our retirement crisis workers will find it increasingly difficult to properly plan for retirement.

Cuts to Social Security and Medicare are the last thing we should do

With the decline of defined pension benefit plans and many years of stagnant and reduced wages, it is challenging for workers to contribute adequate amounts to Individual Retirement Accounts (IRAs) and 401(k) type defined contribution accounts. The once reliable 'three legged stool' approach to retirement – a defined benefit pension, Social Security and personal savings, is no longer a practical strategy for most workers to meet their retirement needs. For these reasons, IFPTE believes that strong Social Security, Medicare and Medicaid programs are important now more than ever.

However, these very programs are the most vulnerable to cuts by many lawmakers who believe in cutting the deficit off the backs of retirees. Among the proposals being considered are raising the retirement eligibility age or privatizing Social Security, reducing Social Security COLAs, block granting Medicaid, and turning Medicare into a voucher program. IFPTE believes that such cuts would further enflame the retirement instability facing workers and retirees.

2017 IFPTE Legislative Request: (1) Support legislation similar to that of the Protecting and Preserving Social Security Act (HR 1811, S. 960), sponsored by Rep. Deutch (D, FL) and Sen. Hirono (D, HI) during the 114th Congress, to strengthen Social Security by gradually phasing out the outdated payroll tax earnings cap, and putting in place a fair COLA formula that is more reflective of the true inflationary rate; (2) Oppose any cuts to Medicare and Medicaid, including turning the program into a voucher system; and (3) Oppose the so-called Chained-CPI – an inaccurate inflation measure in determining COLA increases for Social Security recipients.

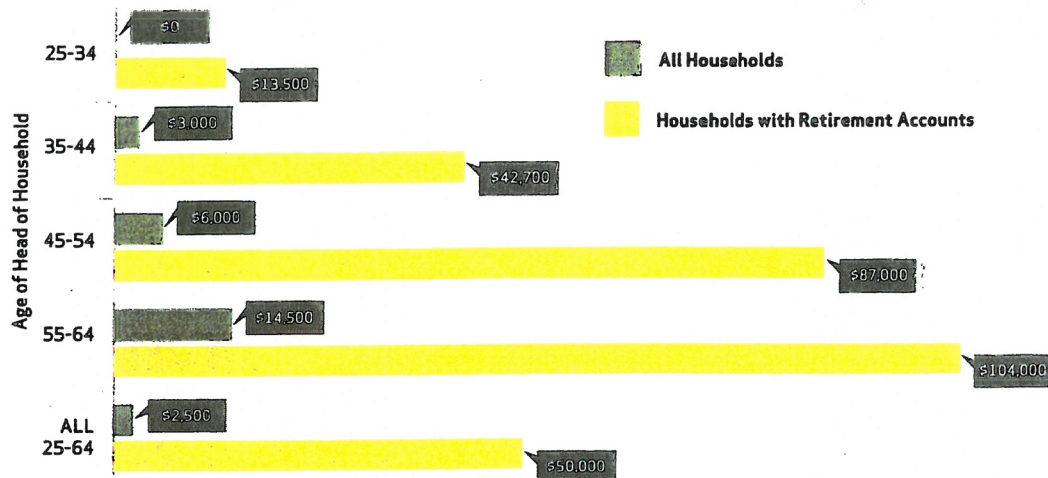
ⁱ Senate Health, Education, Labor and Pensions Committee report, *The Retirement Crisis and a Plan to Save It*, July 2012

ⁱⁱ National Institute of Retirement Security, *The Continuing Retirement Savings Crisis*, March, 2015

Typical Working-Age Household Has \$2,500 in Retirement Assets; Near-Retirement Household Has \$14,500

Figure 8: Typical Working-Age Household Has Only \$2,500 in Retirement Account Assets; Typical Near-Retirement Household Has Only \$14,500

Median retirement account balances, households with retirement accounts vs. contingent median account balance for all households, 2013



Source: Authors' analysis of 2013 SCF.

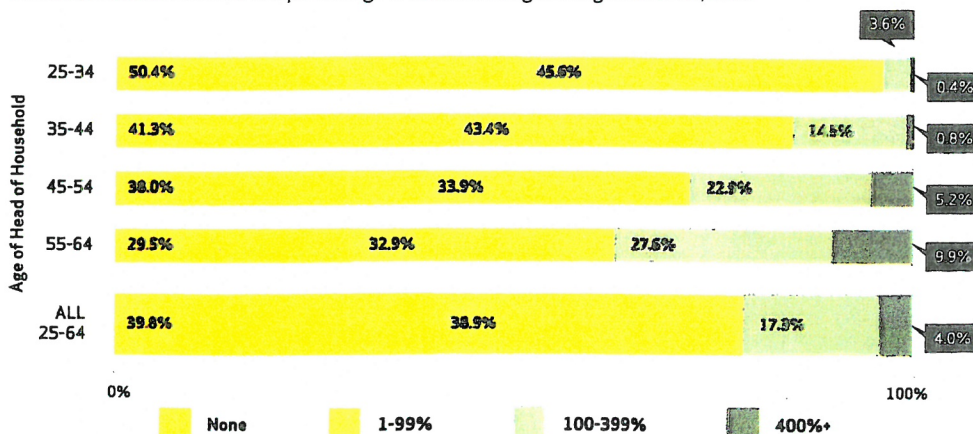


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4 out of 5 Households Have Less than 1x Income in Retirement Savings

Figure 9: Nearly Four out of Five Working Households Have Retirement Savings Less than One Times Their Annual Income

Retirement account balance as a percentage of income among working households, 2013



Source: Authors' analysis of the 2013 SCF. Universe is households with heads age 25-64, with total earnings over \$5,000 and under \$500,000 and total incomes greater than zero and less than \$1 million.



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