

# RESOLUTION 13

## RETIREMENT INCOME SECURITY FOR ALL

Submitted by the Committee on Legislation/Policy and the Executive Council

Retirement income security continues to be beyond the reach of most Americans. Only 56% of U.S. workers participate in a retirement plan of any kind. Among families with some retirement savings, racial and ethnic gaps are large. While the average White family has more than \$150,000 in retirement savings, the average African American household has just more than \$25,000. Only 32% of Hispanic households have any retirement savings whatsoever.

The AFL-CIO will continue to press for measures that ensure adequate retirement benefits for every worker in America. Economic security in retirement must be a shared responsibility of employers, individuals and government.

We affirm our longstanding view that retirement income security for all begins with Social Security. Eighty-six years after President Franklin Roosevelt signed it into law, Social Security remains one of our nation's most successful, cost effective and popular programs. It provides a fundamental base of income security and dignity to retirees, to those unable to work because of a disability, and to family members when a working parent dies.

Our greatest concern about Social Security is that its benefits are too low. At the beginning of this year, the average retirement check was about \$1,614 a month, or \$19,370 annually. One in four older adults relies on the benefit for 90% of their income.

We must continue to shift the public conversation about Social Security away from how we can cut benefits to how we can expand them, as the labor movement has been instrumental in doing over the past decade. Social Security's modest long-term funding needs can be addressed without benefit cuts, and the AFL-CIO will continue to oppose cuts of any kind, including increasing

the retirement age, altering the benefit formula and cutting cost-of-living adjustments. Raising the cap on wages subject to the payroll tax is key to Social Security's long-term solvency. Mandatory Social Security coverage of all public employees has no place in any funding plan because it would jeopardize uncovered workers' current pension benefits, as well as create opportunities for state and local governments to replace their strong defined-benefit pension plans with risky defined-contribution plans. Further, Social Security expansion must protect public sector retirees from being shortchanged by the government pension offset and the windfall elimination provision, whose formulas unfairly penalize low-income and middle-class retirees and their survivors.

Outside of Social Security, defined-benefit pensions are the cornerstone of our retirement system. Professionally managed and with low investment fees, pensions remain the soundest and most cost-effective vehicles for building and safeguarding lifetime retirement income through professional asset management and low investment fees. Although our nation's first private pension plan was established well over a century ago, most private sector workers today cannot count on lifetime pension income. Only 11% of private sector workers participate in a pension plan. Public sector workers have more retirement income security, with 75% of state and local public sector employees participating in government-sponsored pension plans.

We will continue to advocate for defined-benefit pension coverage of all workers and for legislation that supports and grows the private sector defined-benefit pension system, such as the Butch Lewis Emergency Pension Plan Relief Act, part of the American Rescue Plan of 2021 that President Joe Biden signed into law, which helps severely financially troubled multiemployer pension plans meet their benefit obligations. We also will continue to

advocate for corporate bankruptcy reform to prevent employer misuse of the bankruptcy code to shed their pension obligations. And in the public sector, we will seek to protect state and local workers' pensions from an anti-worker political agenda that tries to leverage government fiscal pressures and some governments' failure to faithfully make their required pension contributions, as well as advocate for reforms to municipal bankruptcy rules to better protect workers' pension and retiree health benefits. At the federal level, we will further advocate for the Federal Retirement Fairness Act to give federal employees the ability to purchase or "buy back" pension credit for prior terms of noncareer employment.

Tweaking 401(k) plan design, short of implementing a mandatory employer contribution when the employer does not also sponsor a defined-benefit pension, is not a solution to the retirement income crisis. As currently conceived, defined-contribution plans, like 401(k) plans, are poor substitutes for defined-benefit pensions. Most workers cannot afford to defer enough of their paycheck for a secure retirement—if they can afford to contribute at all. When they can contribute, fees and expenses are high, and the responsibility for making crucial investment

decisions is all theirs as individuals. Ensuring that retirement investment advice is in the best interest of workers when they seek professional advice requires rooting out the conflicts of interest of advice providers. The Labor Department should move expeditiously to implement strong rules for fiduciary investment advice given to 401(k) participants and Individual Retirement Account owners to protect against conflicts of interest that siphon off workers' hard-earned retirement money.

Finally, we demand that our pension assets and other retirement savings be invested prudently to provide a secure retirement. Prudent stewardship requires that our pension plans use their voices as active owners to hold corporations accountable to plan participants' and beneficiaries' long-term interests, and not to Wall Street's short-term thirst for profit. We recognize that environmental, social and governance factors are increasingly important for achieving sustainable investment returns on pension plan assets. Consistent with our mission to safeguard retirement income security, we must expand pro-worker responsible pension fund investments to create good union jobs and a sustainable economy.