

Opening Statement
Senator Susan M. Collins
Special Committee on Aging

*Securing America's Retirement Future: Examining the Bipartisan Policy Center's
Recommendations to Boost Savings*

September 7, 2016

One of the focuses of the Senate Aging Committee during this Congress has been the retirement security crisis, an issue that the Bipartisan Policy Center has examined in depth. According to a recent Gallup poll, 60 percent of Americans are worried that they won't have enough money for retirement. They are right to be concerned. According to the Center for Retirement Research, there is an estimated \$7.7 trillion gap between what Americans have saved for retirement and what they will actually need. This figure is simply astonishing and a call to action.

There are many reasons we face such a staggering gap, including rising health care costs, the need for expensive long-term care, the lingering consequences of the financial crisis on home values, and most of all, the fact that we are living longer. The shift away from employer-based "defined benefit" plans, or pensions, to "defined contribution" plans, like 401(k)s, has also played a role.

Americans need to increase our personal savings so that we can better weather financial emergencies without raiding our retirement accounts. Yet, a survey by the Federal Reserve found that nearly half of individuals do not have enough savings to cover an emergency expense of \$400. That's not even enough to buy new tires for a car.

As a result, employees too often withdraw from their retirement accounts to pay for unexpected expenses. This so-called "leakage" increases the likelihood that these individuals will not have adequate savings to ensure a comfortable retirement. In some cases, seniors may legitimately fear outliving their savings and living in poverty, or they may fear that they will have to work full time until they literally die.

In our Committee's last retirement hearing, we learned that there are many innovative services and online applications being developed by the private sector to help people save more money. But it is clear that the Congress and the Administration must also do more to help address the looming retirement crisis.

That is one reason why, along with Senator Nelson and Senator McCaskill, I have introduced the "Retirement Security Act" to make it easier and less expensive for small businesses to establish retirement plans as well as to encourage individuals to save more for retirement. I was very pleased when reading the Bipartisan Policy Center's report to notice that some of the recommendations parallel those that are included in our bipartisan bill. We know

that when full-time employees have access to retirement plans, approximately 80 percent contribute. Clearly, therefore, increasing access is a vital part of ensuring retirement security, and that means making plans more affordable to small businesses.

Congress must also focus on challenges with the Social Security program. It is projected to have alarming shortfalls in the coming years. The Social Security Administration's most recent report noted that 64 percent of seniors received at least half of their retirement income from Social Security. Many seniors in my State rely almost solely on Social Security to cover their monthly expenses, despite the fact that the average annual benefit is only about \$16,000 a year. And our young people question whether Social Security will even be there to help them when their generation retires.

I am very pleased that we are joined today by the two very knowledgeable co-chairs of the Bipartisan Policy Center's Commission on Retirement Security and Personal Savings: former Senator Kent Conrad, a former chairman of the Senate Budget Committee and a treasured colleague of many of us who are here today, and James Lockhart, who previously was the director of the Federal Housing Finance Agency, the deputy commissioner of the Social Security Administration, and executive director of the Pension Benefit Guaranty Corporation. They will testify on the findings and recommendations of the Commission's recent report, *Securing Our Financial Future*. This report covers many important topics affecting retirement security, such as Social Security, personal savings, lifetime income, and access to workplace retirement plans.

While my colleagues and I on this Committee may not agree with every single one of the Commission's ideas, I commend them for taking the time to put together a thoughtful, comprehensive, and extraordinarily valuable report. The fact is that Congress cannot continue to shy away from tackling these critical issues, given the scope of the problem and the impact on an increasing number of Americans. Neither party has a monopoly on good ideas to address this crisis. What the Center has done is bring together both sides in a comprehensive report. One of my personal hopes and goals is that we can make progress toward the goal of ensuring that those who worked for decades do not end up spending their retirement years in poverty.

I look forward to the testimony of our two witnesses. We're very pleased to have you here.