



“After a lifetime of hard work, people deserve the opportunity to live out their golden years with dignity and financial independence. But for most of the middle class, the dream of a secure retirement is slipping out of reach. We are facing a retirement crisis.” – HELP Chairman Tom Harkin (D-IA)

HELP Chairman Tom Harkin Introduces the USA Retirement Funds Act – FAQs

1. What is the retirement crisis?

The retirement income deficit – meaning, the difference between what people have saved for retirement and what they should have saved at this point – is estimated to be between \$6.6 and \$14 trillion, and the Employee Benefit Research Institute found that half of Americans have less than \$10,000 in savings. Moreover, only approximately half of the workforce has access to a retirement plan through their employer. Although there have been modest increases in overall savings in the past few years, most of that increase is being generated by higher-income individuals, while working-class and low-wage workers are struggling to even earn regular full-time hours at work.

2. How would USA Retirement Funds address the retirement crisis?

USA Retirement Funds address the retirement crisis by ensuring that the 75 million working people without a retirement plan—including 61 million without access to a workplace plan and 14.5 million self-employed workers—would, for the first time, have the opportunity to earn a safe and secure pension benefit. USA Retirement Funds would drastically increase retirement savings through automatic enrollment while reducing the cost of retirement by up to 50%. Together with Senator Harkin’s *Strengthening Social Security Act (S.567)*, USA Retirement Funds would put our country on a path toward restoring the “three-legged stool” of retirement security and ensuring that every American has a pension, Social Security, and the opportunity to save.

3. Why are USA Retirement Funds good for business?

USA Retirement Funds would be good for business because they would make it easy for employers – especially small business owners – to offer quality retirement benefits. Current retirement plans make employers responsible and liable for all of the management and administration of the plan. USA Retirement Funds would relieve employers of that burden because the funds would be run by an independent board of trustees. All employers would have to do is help their employees enroll and send along employee contributions. Employers could make voluntary contributions if they want.

4. Why are USA Retirement Funds good for the economy?

USA Retirement Funds will help millions of people save for retirement. All of that new savings will be invested into the economy, creating growth and new jobs. Because the funds are long-term investors, they would be able to provide much needed “patient capital” for entrepreneurs and innovators.

5. How is the retirement crisis impacting people of color?

The National Institute on Retirement Security recently found that African-American, Asian, and Latino workers have significantly less access to a retirement plan on the job than white Americans, especially in the private sector. As a result, the vast majority of working-age households headed by people of color have little or no retirement savings. For those with a retirement plan, on average the account balances for African-American and Latino households are less than one-fifth that of white households.

6. How are women impacted by the retirement crisis?

The income gap for women is especially pronounced after retirement. In 2011, the median annual income of older women was \$14,225, while the median annual income older of men was \$24,794. Because of unequal pay during their working years, women have less of an opportunity to put away retirement savings. They are also more likely than men to take time off during their working years to care for family. Women are also less likely to have access to quality retirement plans than men because women are concentrated in jobs that don't traditionally offer retirement plans. The income gap is especially problematic because women live longer than men, so they must make their retirement savings last longer as well.

7. Why are USA Retirement Funds good for working people?

USA Retirement Funds would both increase savings and reduce costs. Employers who don't offer a pension or a good 401(k) would automatically enroll their employees in a USA Retirement Fund. If an employee wants to opt out, he or she can. No one would be forced to participate. However, everyone would have the opportunity to earn a pension, and experience proves that, by making the system opt-out instead of opt-in, millions more people will begin to save.

Over time, as people contribute to a USA Retirement Fund, they will earn a high-quality retirement benefit that will be a better bang for the buck than what they can get on their own today. In fact, a recent report by the Center for American Progress found that the benefit for a plan like a USA Retirement Fund would be as much as 50% cheaper than existing defined contribution plans. That savings comes from the fact that USA Retirement Funds would allow people to pool their resources and share risk.

8. Would everyone have to participate in a USA Retirement Fund?

No. Anyone would be permitted to participate, but people automatically enrolled in a USA Retirement Fund could choose to stop contributing.

9. How much would I have to contribute to a USA Retirement Fund?

Individuals would be able to set their own contribution rate. Employers providing access to a USA Retirement Fund would automatically enroll their employees at 6% of pay, but employees could increase, decrease, or stop their contributions.

10. Do all employers have to offer a USA Retirement Fund?

An employer would only have to provide automatic access to a USA Retirement Fund if the employer does not otherwise offer a defined benefit pension or a 401(k) with automatic enrollment and a lifetime income option.

11. Would there be any help for lower-income workers who find it difficult to save?

Yes. Low-income individuals would be eligible for a refundable savers credit.

12. How would USA Retirement Funds pay benefits?

People participating in a USA Retirement Fund would earn a benefit paid out over the course of their retirement, with survivor benefits and spousal protections, like a traditional pension. The amount of a person's monthly benefit would be determined based on the total amount of contributions made by, or on behalf of, the participant and investment performance over time. The risk sharing component of the USA Retirement Funds would make benefit levels responsive to long-term market conditions. For example, USA Retirement Funds would be conservatively managed, but if there were a severe and long-term economic downturn, the trustees could, under specified procedures, gradually adjust benefits (no more than 5 percent per year without approval) to reflect market realities while still providing a steady income stream to retirees. Conversely, if a USA Retirement Fund had better-than-expected returns, those returns would be conservatively allocated as increased benefits for employees and retirees. This type of risk sharing is beneficial to participants and gives them an opportunity to earn a cost-effective source of retirement income.

13. Could I roll over my savings into or out of a USA Retirement Fund?

Yes. Participants would be permitted to change USA Retirement Funds every year and would be allowed to roll their 401(k) or IRA balances into a fund. Additionally, a person under 60 with a small account balance would be able to roll that account balance over to another retirement plan. A person over 60 who has sufficient retirement income outside the fund or is facing a substantial hardship could elect to take a one-time, lump sum withdrawal of the greater of \$10,000 or 50% of his or her benefit.

14. Do I get a tax benefit for participating in a USA Retirement Fund?

Individuals could contribute up to \$10,000 per year pre-tax, and employers would also be able to contribute up to \$5,000 per year for each employee, provided the contributions are made uniformly.

15. Would USA Retirement Funds have spousal protections?

Yes. USA Retirement Funds would have the same spousal protections as defined benefit pension plans.

16. Who would start a USA Retirement Fund?

USA Retirement Funds would be privately-run retirement plans that could be started by non-profits, associations of employers, employee organizations, financial institutions or other organizations. Each fund would have to be approved by the Department of Labor and have a board of qualified, independent

trustees able to represent the interests of employees, retirees, and employers. The trustees would be fiduciaries required to act prudently and in the best interests of plan participants and beneficiaries.

17. How many USA Retirement Funds would there be?

The number of USA Retirement Funds would not be fixed and would depend on market demand and the number of organizations willing and able to start a fund.

18. Would USA Retirement Funds affect my pension or 401(k)?

No. USA Retirement Funds are not intended to replace existing pensions. Many employers and employees have developed excellent pension arrangements that benefit everyone involved, and those arrangements should be allowed to continue to flourish. Additionally, individual retirement savings is a critical component of retirement security, so USA Retirement Funds are intended to supplement, not supplant, defined contribution plans. Employers could certainly offer both a USA Retirement Fund and a defined contribution plan to their employees.

19. Would USA Retirement Funds affect Social Security?

No. USA Retirement Funds would not affect Social Security benefits and are not a new government program. They are 21st-century retirement plans that would be run entirely by the private sector, just like defined pension plans and 401(k) plans.

20. How can I contact Senator Harkin with feedback on the USA Retirement Funds Act?

You can direct emails to Retirement_Security@help.senate.gov.

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For more information, please visit <http://www.harkin.senate.gov> or contact any of Senator Harkin's offices in Washington, D.C. or Iowa.