



BARACK OBAMA'S PLAN TO STRENGTHEN RETIREMENT SECURITY

"But the fact is a secure retirement is being threatened today. Part of the reason is rising costs. I don't have to tell you about this. You feel the pinch every time you fill up a tank of gas because the price at the pump has tripled over the past several years. You feel it every time you go to the pharmacy and find that you're paying more for the same drugs than you were this time last year..."

Coming together to meet this challenge won't be easy. It won't happen overnight. It will take restoring a sense of shared purpose in Washington and across this country. But if you put your trust in me – if you give me "your hand and your heart" – then that's exactly what I intend to do as your next President".

[Barack Obama, 10/27/07]

BARACK OBAMA'S RETIREMENT SECURITY AGENDA

As someone who was largely raised by his grandparents, Barack Obama has first-hand knowledge that for many seniors, turning 65 does not ensure an end to a lifetime of work. For more and more of today's seniors and workers preparing to retire, "retirement" is a balancing act of medical costs, threatened pensions, part-time jobs, and extended families. Barack Obama is committed to strengthening Social Security, ensuring that all Americans have access to a portable retirement accounts, protecting pension plans, and providing all Americans with the incentives to save throughout their working careers.

Strengthen Social Security

Barack Obama recognizes that Social Security is indispensable to workers and seniors, and it is probably the most important and most successful program that our country has ever made. Obama is committed to ensuring Social Security is solvent and viable for the American people, now and in the future.

Although the underlying Social Security system remains strong, the projected long-term cash flow of the program needs to be addressed, particularly as the baby boom generation begins to retire. This is a real but manageable problem. Obama will be honest with the American people about the solvency of Social Security and the ways we can address the shortfall. Obama will make it a top priority of his administration to protect Social Security benefits for current and future beneficiaries alike. And he does not believe it is necessary or fair to hardworking seniors to raise the retirement age. He will also continue his long record of opposing the privatization of Social Security, which has dominated the debate in Washington for too long.

Barack Obama believes that the first place to look for ways to strengthen Social Security is the payroll tax system. Currently, the Social Security payroll tax applies to only the first \$97,500 a worker makes. Obama supports increasing the maximum amount of earnings covered by Social Security and he will work with Congress and the American people to choose a payroll tax reform package that will keep Social Security completely solvent for at least the next half century.

Create Automatic Workplace Pensions

Currently, 75 million working Americans – roughly half the workforce – lack employer-based retirement plans. Even when workers are given the option of joining employer-based plans, many do not take up the option

because it requires considerable work to research plans and investment portfolios, and to enroll in the plan. However, test studies of automatic enrollment retirement plans have found that when employees, including low-income employees who are the least likely to save, are given easy options to save, they overwhelmingly choose to do so. Various automatic enrollment tests have resulted in enrollment rates between 75 and 90 percent.

Barack Obama's automatic workplace pension plan will dramatically increase both the number of Americans who save for retirement and the overall amount of personal savings for individuals. Under this plan, employers who do not currently offer a retirement plan, will be required to automatically enroll their employees in a direct-deposit IRA account. Employees may opt-out by signing a written waiver. Even after enrollment, employees will retain the right to change their savings levels, reallocate investment portfolios or end contributions to the account. Obama's plan will give options to the self-employed to access new easy-to-enroll savings plans and direct the IRS to deposit tax refunds into those savings plans for people who choose to save some of their refunds. Under the Obama plan when employees change jobs, their savings will be automatically rolled over into the new employer's system to ensure continued savings.

To minimize administrative burdens on employers, Obama will set up a direct-deposit system that is compatible with the existing direct-deposit payroll system that most large employers already utilize. For most firms, offering payroll deduction IRAs will involve little cost since the employer will not be maintaining a plan; rather they would be acting as a forwarding agent for employee contributions. In addition, Obama will make temporary tax credits available to firms to defer the cost of establishing these plans. Firms with fewer than 10 employees or who have been in business for less than two years will be exempt from this requirement, but may take advantage of this low-cost opportunity to offer a saving plan for their employees if they so choose.

Obama will also require annual disclosures to plan participants that detail in clear and simple language the amount of fees incurred and investments made. This measure will help ensure that retirement plans actually help workers over time, rather than investment and consulting firms. Obama will also require that businesses choose a default investment plan that has an investment portfolio similar to that of the federal Thrift Savings Plan, low-management fees and does not include company stock.

This program is projected to dramatically increase savings by low- and middle-income workers who do not currently save. In fact, experts estimate that this program will increase the participation rate for them from its current 15 percent level to around 80 percent.

Expand Retirement Savings Incentives for Working Families

Barack Obama will ensure savings incentives are fair to all workers by creating a generous savings match for low and middle-income Americans. Obama will expand the existing Savers Credit to match 50 percent of the first \$1,000 of savings for families that earn under \$75,000, and he will make the tax credit refundable. To help ensure that this proposal actually strengthens retirement investments, the savings match will be automatically deposited into designated personal accounts by using the account information listed on IRS tax filings. Coupled with the automatic workplace pension plan, this proposal will stimulate tens of millions of new Americans to invest for retirement. Over 80 percent of the savings incentives will go to new savers, and 75 percent of people eligible for the incentives who are expected to participate in the new program do not currently save.

Require Full Disclosure of Company Pension Investments

Barack Obama believes we must ensure private companies properly fund their pension plans so taxpayers do not end up footing the bill. However, even when companies fund their pensions, many do not disclose their investments with the employee's pension dollars. This lack of transparency can make it easier for fund managers to make imprudent or even fraudulent investment decisions. Obama will ensure that all employees who have company pensions receive annual disclosures about their pension fund's investments, including full details about which projects have been invested in, the performance of those investments and appropriate details

about probable future investments strategies. This measure will provide employees and retirees important resources to make their pension fund more secure.

Reform Corporate Bankruptcy Laws to Protect Workers and Retirees

Workers and retirees risk losing everything when their company goes bankrupt. Too many employees have worked hard, played by the rules and contributed to private pensions only to find themselves left in the lurch when their companies went bankrupt.

Current bankruptcy laws are designed to protect banks before workers by helping companies get capital to get back on their feet, but in so doing it has made it easier for bankrupt companies to shed pension and health care obligations to retired workers.

Barack Obama has supported efforts to force firms to put more money into their pension funds and make them solvent so workers aren't left with a bunch of worthless IOU's after thirty years of service. As president, Obama will:

- Put promises to workers higher on the list of debts that companies cannot shed.
- Ensure that the bankruptcy courts do not allow companies to demand more sacrifice from workers than from executives when companies fall on hard times.
- Protect the jobs and benefits of workers and retirees when corporations file for bankruptcy by telling companies that they cannot issue bonuses for executives during bankruptcy while their workers watch their pensions disappear.
- Increase the amount of unpaid wages and benefits workers can claim in bankruptcy court against their employer.
- Limit the circumstances under which retiree benefits can be reduced.