



Statement for the Record

Submitted to the

U.S. House of Representatives,
Committee on Ways and Means

“Legislative Hearing on the Social Security 2100 Act”

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On Behalf of

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The American Council of Life Insurers (ACLI) is pleased to submit this statement for the record for the “Legislative Hearing on the Social Security 2100 Act.” The ACLI thanks Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) for holding this hearing. ACLI also recognizes Representative John Larson (D-CT) for his leadership on this issue, driving an important discussion of the sustainability of the Social Security program. This statement will highlight the need for bipartisan federal public policy to secure long-term solvency and protect retirees, survivors, and the disabled from poverty. Additionally, this statement will highlight the importance of private-sector solutions, such as an automatic retirement plan option in the workplace and automatic enrollment in a disability insurance policy.

THE AMERICAN COUNCIL OF LIFE INSURERS

The American Council of Life Insurers advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers’ financial and retirement security. Financial security is our core business. Retirement security for all Americans is a critical mission. We protect 90 million American families with financial products that reduce risk and increase financial security. These include life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, dental and vision benefits and other supplemental benefits. As society and work change, we are committed to solutions that protect all Americans regardless of where and how they work, their stage in life, or the economic status of their household. Americans are living longer. Financial security through retirement is a big challenge facing our country. Our members help people retire with security.

ACLI members represent 95 percent of industry assets in the United States. Through a well-crafted partnership of private-sector and public-sector solutions, we believe the benefits of financial security can be made available to all Americans. Accordingly, ACLI member companies offer insurance contracts and investment products and services to employment-based retirement plans. These include defined benefit pension plans—401(k), SIMPLE, SEP, 403(b), and 457(b) plans—and to individuals through individual retirement accounts (IRAs) and annuities. ACLI members are also employer sponsors of retirement plans for their employees. Life insurers believe that adequately and consistently saving for retirement, effectively managing assets throughout retirement, and utilizing appropriate financial protection products are all critical to Americans’ financial security.

In 2018, American families received \$406 billion in payments from annuities, \$131 billion in payments from life insurance, and \$19 billion in disability income insurance benefits. They also received \$12 billion in long-term care insurance benefits. Many Americans face significant financial security challenges. The insurance industry is a vitally important part of how individuals and families are able to protect what matters most to them and to save for and guarantee a secure retirement.

THE SOCIAL SECURITY SYSTEM IN AMERICA

Social Security has provided economic security to retired Americans since 1935 with monthly income for life. It’s a vital component of America’s retirement system, which includes: Social Security, employment-based retirement plans, and personal savings. The base-level income provided by Social Security, combined with the income from employment-

based retirement plans and personal savings, is essential to the long-term retirement needs of individuals and families. Currently, more than 63 million people receive Social Security benefits. Of those, 47 million are retirees and survivors, 6 million are widows and widowers of retired workers, and 1.9 million are children of deceased workers. More than 10 million disabled workers and their dependents utilize Social Security benefits.¹

Today, the program's total costs exceed total revenues. Social Security trustees project that current payments can only be supported through 2035. Absent changes, the program must reduce benefits by more than 20 percent.² In the early 1980s, Social Security faced major fiscal challenges. Congress and the President responded with broad bipartisan reforms to strengthen the safety net program. Since then, the surge in retirees from the Baby Boomer generation and changing demographics of the American workforce have created additional challenges to Social Security's solvency. As policy makers consider necessary changes, the earlier these can be identified the better, as individuals may need to adjust their savings goals. Additionally, special care should be taken for those individuals who are near or in retirement who will rely on its monthly income to make ends meet. Any changes made to the program should not exacerbate hurdles they already face in saving for retirement.

THE U.S. PRIVATE SECTOR RETIREMENT SYSTEM: A COMPLEMENT TO SOCIAL SECURITY

The retirement system for private-sector workers in America works in concert with contributions made to Social Security. It includes employment-based retirement plans, IRAs, individual annuities, and other investments. These savings programs play an increasingly vital role in retirement security for millions of Americans, especially given the headwinds facing Social Security. Current tax incentives for pensions and retirement savings encourage employers to provide and maintain employment-based plans. These incentives also encourage and enable millions of Americans to accumulate savings. They substantially improve the retirement security of millions of American households. According to the Bureau of Labor Statistics, more than 80 percent of full-time civilian workers have access to a retirement plan through their employer. Of these workers, 80 percent participate in a workplace plan.

For decades, the combination of Social Security, employment-based retirement plans, and private savings has proven the ability of workers to attain retirement security. Looking ahead, we are committed to building on this success. Arguably, the most effective immediate impact can be made by leveraging the employer-provided system. Based on data from the Bureau of Labor Statistics, the ACLI estimates that an employer retirement plan requirement, similar to House Ways and Means Chairman Richard Neal's proposed Automatic Retirement Act of 2017,³ could increase access to an employer-sponsored defined contribution retirement plan by an additional 30 million workers. That would be an extraordinary 38 percent increase in access to retirement savings for private-sector workers.

¹ Board Of Trustees Of The Federal Old-Age And Survivors Insurance And Federal Disability Insurance Trust Funds, *The 2019 Annual Report Of The Board Of Trustees Of The Federal Old-Age And Survivors Insurance And Federal Disability Insurance Trust Funds*, <https://www.ssa.gov/OACT/TR/2019/tr2019.pdf>

² Board Of Trustees Of The Federal Old-Age And Survivors Insurance And Federal Disability Insurance Trust Funds, *The 2019 Annual Report Of The Board Of Trustees Of The Federal Old-Age And Survivors Insurance And Federal Disability Insurance Trust Funds*, <https://www.ssa.gov/OACT/TR/2019/tr2019.pdf>

³ [H.R. 4523](#), introduced in the 115th Congress by Representative Richard Neal (D-MA).

Assuming comparable take-up rates for those currently with access, the additional increase in access would lead to 22 million additional workers participating in a defined contribution retirement plan. That's a 39 percent increase over current participation figures. The ACLI supports this approach for its benefit to the financial security of American families. It would strengthen the employment-based retirement savings component of America's retirement system. This is especially important given the fiscal challenges facing the Social Security program.

It's important that reform to Social Security complement, not weaken, the private retirement system. Reform, and education surrounding reform, should be structured to encourage more adoption of retirement savings plans by employers. This would lead to more participation in plans by workers and more long-term personal savings to ensure sufficient income for their retirement needs.

IMPLICATIONS OF PRIVATE DISABILITY INSURANCE ON SOCIAL SECURITY DISABILITY INSURANCE AND RETIREMENT SAVINGS

Special attention should be paid to Social Security Disability Insurance (SSDI) which is integral to workers whose path to retirement may be disrupted due to illness or injury. According to the Social Security Administration, for 20-year-olds, more than one in four will become disabled before reaching retirement age, making SSDI a critical component of our nation's safety net.⁴ 10.2 million disabled workers and their dependents utilize Social Security benefits, totaling \$131.5 billion in benefits paid in 2018.⁵ Disabled workers and their dependents account for 13 percent of total benefits paid from Social Security.⁶

As the private sector supplements Social Security benefits for a financially sustainable retirement, the private sector also alleviates pressure on SSDI. By supplementing loss of income due to a disability, private disability insurance helps curb retirement plan leakage. Specifically, group disability insurance will save the federal treasury at least \$25 billion over the next 10 years -- at least \$10 billion in SSDI benefits and approximately \$15 billion in other federal programs.⁷ Additionally, according to the Employee Benefit Research Institute, workers who had private disability insurance experienced less severe impacts on their retirement readiness than those that did not have private insurance.⁸ To give workers the peace of mind that disability insurance provides, employers should be able to automatically enroll employees in a policy while providing the choice to opt-out. The Department of Labor has provided guidance in this area, and Congress should work to codify this position as well as to look for ways to encourage private-sector disability insurance.⁹

⁴ Social Security Administrations, The Faces and Facts of Disability, <https://www.ssa.gov/disabilityfacts/facts.html>

⁵ Social Security Administration, Fact Sheet, <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

⁶ Id.

⁷ David F. Babbel and Mark F. Meyer, *Expanding Private Disability Insurance Coverage to Help the SSDI Program*. <http://www.crfb.org/sites/default/files/babbelmeyer.pdf>

⁸ Jack VanDerhei, Employee Benefit Research Institute, "Disability and Retirement Security: New Research and Next Steps." Remarks at the Bipartisan Policy Center, Thursday, October 20, 2016.

⁹ Department of Labor, Information Letter 12-4-2018, <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/information-letters/12-4-2018>

CONCLUSION

Retirement security for all Americans is a significant public policy concern. A well-crafted combination of private and public solutions is the way to make retirement security a reality for all Americans. Timely, bipartisan political leadership to secure the solvency of Social Security is critically important as challenges to this system mount.

Changes to Social Security should achieve long-term solvency and provide retirees an income for life. Special care needs to be taken so that reforms do not negatively affect susceptible populations, including those who are close to or in retirement who will rely on its monthly income to make ends meet, as well as those receiving disability insurance, old age and survivor's benefits. ACLI and our members are committed to doing our part as a vital component of America's retirement system. Our industry augments Social Security through defined contribution retirement plans, annuities that guarantee income for life, and private disability insurance. We stand ready to serve as a valuable resource as this committee addresses this important issue.