

Resolution 11

RETIREMENT SECURITY FOR ALL

FOR TOO LONG, our national retirement security discussion has been about everything but the interests of workers and retirees. We are told we must boost the confidence of foreign bondholders; keep taxes low for the top 1%; minimize employer cost and risk; protect financial services industry profits; and cut benefits because of the latest reports from discredited credit ratings agencies. Meanwhile, workers and retirees must do with less, bear more risk, and go it alone.

Most Americans' prospects for a decent retirement are shrinking. Over half of households are at risk of being unable to maintain their standard of living in retirement, up from fewer than one in three in 1983. Two-thirds of Social Security beneficiaries 65 and older rely on its modest benefits for half or more of their income. The number of workers fortunate enough to have a traditional pension continues to drop: Just 14% of private-sector workers have one today, compared with 45% in 1975.

While the now-dominant individual retirement savings accounts are touted as superior substitutes for pensions, just three in five of those closest to, or just into, retirement have been able to save anything at all, and the typical balance is \$100,000. This translates into just over \$330 in monthly retirement income. The failure of these plans should come as no surprise given the backdrop of stagnating compensation and sharply increasing economic inequality.

It is time for our country to commit to moving from retirement security for just a lucky few to retirement security for all. Getting there will require expanding Social Security; strengthening our existing pension systems; and creating new ways for workers to build

retirement security when employers are unwilling or unable to do what is necessary.

Retirement security for all begins with Social Security. It provides a fundamental base of financial security and dignity for Americans in retirement, those unable to work due to a disability, and to young children when a working parent dies. If Social Security has a weakness, it is that its benefit levels are too modest. Its benefits must be increased across the board. Moreover, Social Security's cost-of-living (COLA) adjustments should be higher to reflect the larger share of seniors' incomes that goes to health care and housing.

On Capitol Hill, however, the Social Security debate has focused on how "best" to cut benefits. Astonishingly, cuts are justified as necessary to "strengthen" the program and avoid any tax increase on the wealthy. We oppose any reduction in Social Security benefits, as well as in Medicare and Medicaid benefits, be it through "indexing benefits for longevity" (i.e., increasing retirement ages), "updating" the annual COLA calculation (i.e., cutting cost-of-living adjustments), or any other euphemism for cutting benefits.

Cutting benefits is not required to address Social Security's modest long-term funding needs. As a variety of recent proposals show, raising the cap on wages subject to the payroll tax is essential to any solution. We also reaffirm our longstanding position that mandatory coverage of all public employees has no place in any funding plan and support proposals to bring fairness to public-sector retirees by addressing any inequities created by the Government Pension Offset and Windfall Elimination Provision.

Besides improving Social Security benefits, we must fight for workers' pensions in the face of persistent attacks by those who would cut, freeze or eliminate them for private-sector workers; state, local and federal employees; and rail workers. Defined-benefit pensions are the cornerstone of our retirement system outside of Social Security. But despite the fact that they remain the soundest and most cost-effective vehicles for building and safeguarding retirement income security—with their professional asset managers, lower investment fees and better returns—traditional pensions are subject to continued assault by employers and politicians. Accordingly, we affirm the labor movement's unwavering commitment to:

- Repeal the federal law and regulations that have enabled the assaults on private pensions. In particular, we must replace the 2006 Pension Protection Act with new funding rules that will support and grow defined-benefit pension plans.
- Advocate for sensible accounting rules, for both private and public plans, that promote vibrant pension systems rather than the current hostile regulatory environment.
- Work with a broadened coalition of allies to protect state and local workers' pensions against political attacks that seek to take advantage of government fiscal pressures, capital market weaknesses and the failure of some government employers faithfully to make required contributions to employee plans.
- Fight against employers' manipulation of bankruptcy law and use of restructuring to escape their benefit obligations to workers and retirees, whether in the private sector at companies like Patriot Coal or in municipalities like Detroit.
- Call on the federal government to support the Pension Benefit Guaranty Corporation, so that single-employer and multiemployer programs are in better financial condition.

Union members have a big stake in the success and integrity of our retirement system. They have chosen, through collective bargaining or other means, to defer a substantial portion of their wages into pensions

and other retirement plans. Retirement savings are the primary way union members invest in the capital markets, and their retirement money is their biggest financial asset.

To aid in the creation of a sound economy, an essential condition for a secure retirement, we should invest the more than \$9 trillion in government, corporate and multiemployer pension funds in economically productive ways. Pension funds need sustainable, long-term returns, and our economy needs patient, responsibly invested capital for broad-based prosperity. Meeting these objectives requires consideration of environmental, social and corporate governance (“ESG”) standards.

The labor movement's long and successful track record of promoting responsible investing includes labor-invested real estate funds that have created good union construction jobs and affordable housing; worker-friendly private equity funds that have saved jobs from bankruptcies; and activist public equity funds that have encouraged greater corporate accountability. Through our participation in the governance of multiemployer and public pension funds, we will continue to promote new private and public infrastructure investment products designed to produce competitive returns while creating jobs, but we reject the notion that the investment necessary for a competitive economy requires the privatization of public infrastructure. The experience of the last 10 years is that privatization enriches Wall Street, while leading to losses for investors, higher fees for the public and, ultimately, inadequate investment in infrastructure.

While acknowledging our successes, we must scale up for the challenge of creating an economy that works for all. We strongly believe pension funds must be invested for the exclusive goal of providing workers with a secure retirement. Consistent with that, we encourage pension funds covering our members and retirees to update their investment policies and practices to address ESG standards and put at least some of their portfolio in responsible investments; use their voice as investors to promote sustainable business practices; encourage the

disclosure of sustainable performance indicators; and promote the investment industry's acceptance of ESG standards. To support these goals, the AFL-CIO will develop model policy language on responsible investing and collaborate with other capital market participants to promote ESG standards.

Ensuring that workers' retirement assets are invested in their best interests also means rooting out the conflicts of interest of many financial advisers and other professionals. We call on the federal government to use its clear authority to expand prohibitions against conflicts of interest whenever financial professionals are providing advice on the investment of retirement money.

Protecting what remains of the pension system, however, will not be enough to achieve retirement security for all. Too few workers even have a pension or a retirement savings plan that will produce enough for a decent retirement. And all other workers are at risk, as employers and politicians continue their push to cut or eliminate retirement benefits.

For those for whom the existing system falls short, we must create a new path toward retirement security. For most of America, a secure retirement means you are lucky enough to have a retirement plan with low-cost investments delivering decent returns; to earn enough to contribute to the plan; to live through a time when the markets return historically average or better returns and do not drop precipitously at the wrong time; and to live not so long that your money runs out.

A retirement system that delivers adequate and secure retirement income to everyone, not just the lucky, is one in which:

- Social Security, employer-paid pensions and individual retirement savings all have important roles to play;
- Economic security in retirement is a shared responsibility of employers, individuals and government;
- Adequate benefits are earned and enough money is contributed throughout everyone's working years, with suitable portability;
- Retirement plans appropriately balance, manage and pool capital market risks for workers' core retirement income;
- Benefits are focused on delivering retirement income that is secure and lasts throughout retirement, with provision for survivor benefits; and
- Plans are operated solely in the interest of workers and retirees.

Change of this magnitude will not come quickly, and it will not come at all if we do not start now. Likely, change will proceed in many steps, big and small, and require building an aggressive, broad-based movement to challenge the status quo. The AFL-CIO commits itself to leading that movement to achieve retirement security for all.