Public Policy and Economic Security for Older Americans: Retirement and Health Security

This article will focus on key issues surrounding economic security for older Americans. It will identify a number of issues where there are gaps and concerns including coverage, level of savings for retirement, retirement ages, support for working in retirement, disability and retirement savings, lack of long-term care coverage, health benefits and the role of housing in supporting retirement. It will provide ideas for public policy directions and will consider the roles of Social Security and public programs, employee benefits and individual efforts. Society of Actuaries (SOA), Employee Benefit Research Institute and other research studies will be used to point out facts related to some of these key issues.

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Introduction

Americans are living longer, resulting in longer periods of retirement that can last 20 to 30 years or more. The retirement systems developed in the last century to provide economic security for older Americans are based on a three-tier approach—government programs, employee benefits and personal initiatives. The challenges and evolution these systems face have created a call for more individual responsibility, action and savings and a different role for the employer. This article will focus on key public policy issues surrounding economic security for older Americans.

Social Security and Medicare are the cornerstones of economic and health security for older Americans, but both systems need adjustments to keep them in financial balance. Most Americans highly value these systems, and changes will be difficult to make. The challenges are greater for Medicare than Social Security. Employer plans have been the second layer of security for many Americans, but such plans are eroding, and public policy is a key influence in the structure of these plans. Individual effort also is an important component of economic security, but many people do not place a high priority on retirement savings and have no retirement savings beyond what is in employer plans. Some have no retirement savings at all.

This article examines the issues from long- and short-term perspectives. It will identify issues of concern such as...
the future of financial security systems, including coverage; level of savings for retirement; retirement ages; support for working in retirement; disability and retirement savings; lack of long-term care coverage; health benefits; and the role of housing in supporting retirement. It will provide insight into some of the groups that have been working on solutions, identify some of the barriers to potential solutions and present some ideas and options for public policy improvements. Rather than providing a set of coordinated recommendations, the article offers some ideas to think about.

Context

General

The population is aging as a result of increasing longevity and varying levels of fertility over the last several decades. It is a huge success for mankind that people are living longer than ever before, and it raises new opportunities and challenges. The Baby Boomer generation (individuals born from 1946 to 1964) is moving into old age and will form a much larger group of older persons than prior generations. Basic demographics, as well as the need to make adjustments in some of the financial security systems, have been known for many years.

Our society has benefited from a retirement system that allowed many people to retire with reasonable benefits and to enjoy a number of years of retirement after their working lives ended. Social Security provides benefits to nearly all Americans and has been a major factor in enabling retirement and reducing poverty among the elderly. Career and job history are major factors in determining who benefits from the private retirement system and also influence Social Security benefits. The outlook for a period of leisure and enjoyment in retirement and the status of the elderly have both improved dramatically over the last 100 years, but many future retirees will face greater challenges than today’s retirees.

Risk Pooling

Risk pooling and insurance are foundations of our economic and health security systems. Some risks can be pooled, and pooling has improved economic security for those who live longer, are disabled, suffer severe illness or need long-term care. Social insurance pools risks across all citizens, and employee benefit plans pool risks across a group of employees. Private insurance pools risks across the people who purchase the coverage. Generally, risk pooling only works when there is a reasonable mix of good risks and poorer risks. Some of the big unanswered questions for the future are which risks should be pooled, how the pools should be defined and operated, and who should be included.

National Public Policy

It is national policy to provide a basic level of economic security for citizens in old age and to address poverty to some extent. Current policy supports the three-tiered economic security approach previously described. Policy provides for a government role, facilitation of employer and individual roles, and the regulation of financial institutions and arrangements—banks, mutual funds, insurance companies, pension trust funds, etc.—as well as the protection of the assets from fraud. Policy also provides for guaranty funds or insurance to protect the public from failure of such arrangements to some extent.

However, there is no integrated statement of national retirement policy, and there are many questions on which there are public policy disagreements. Here are some examples:

- What is the appropriate role of public programs, employee benefits and personal responsibility? What tax incentives should be provided for employee benefits and personal initiative?
- As longevity increases, should retirement ages be adjusted to keep the period of retirement approximately equal in years or as a percentage of life span? To what extent should retirement be supported by public funds, including tax subsidies, while people are still able to work?
- Should policy support benefits through public programs or tax-advantaged programs that support retirement based on keeping people out of poverty, providing a minimum living standard or maintaining preretirement living standards?
- How much risk pooling should be supported and encouraged?
• To what extent should tax incentives be used to encourage employee benefits and savings for retirement? Who should benefit most from the tax incentives?
• What should be mandated vs. encouraged vs. permitted?
• What safe harbors and other measures can be used to encourage employers to offer benefits and make it relatively easy for them to do so?
• When should surety bonds, public insurance or guaranty funds be mandated to back up private security arrangements?
• When should fiduciary requirements apply?
• To what degree should disclosures and administration of private programs be regulated?
• What role should government play in financial security education?
• What is the appropriate role of the states vs. the federal government?

The President's Commission on Pension Policy, appointed by President Jimmy Carter in 1979, developed the last integrated national retirement policy, which was never adopted. Today, there is widespread disagreement about the best answers to many of these questions, leading to differences of opinion about a variety of public policy proposals.

**Retirement Plans and Public Policy**

Many of the best retirement plans of the last century were based on rewarding and assuming long-term employment with the same organization. The private retirement system has moved away from traditional defined benefit (DB) plans and toward defined contribution (DC) plans. Periods of retirement increased at the same time the emphasis on rewarding long-term employment withered away. Health care costs rose rapidly and crowded out spending for retirement as well as growth in cash wages. Many middle-income people did not experience wage growth, and traditional pension plans were being frozen and terminated. The emerging DC environment called for more personal savings, initiative and decision making. However, a growing body of research in understanding of financial literacy has shown large gaps in planning and financial literacy, leaving people unqualified to manage a personal retirement savings program.

Public policy sets the framework for the private retirement system and defines Social Security. Tax law provisions have a strong impact on how plans are structured by employers and used by Americans. The retirement system operates at the intersection between business, the financial services industry and the individual. In many situations, the needs and interests of different groups conflict. Groups with conflicting objectives and interests have a poor record of compromise, and they have regularly lobbied the U.S. Congress for different solutions to the same challenges rather than working out a unified solution. Often, the effect on the individual citizen seems to be a relatively low priority in the discussion.

Underlying public policy reflects a variety of different agendas: protecting individual consumers, promoting economic security for older Americans, reducing poverty, modifying tax policy, setting limits on business and defining the range of tax-protected employee benefits. Tax policy focuses on revenue raising and the distribution of the tax burden. Sometimes those setting policy seek to limit the scope of the policy agenda and minimize the role of government, whereas others try to use government policy to influence society more broadly.

Government also has a major role in providing or influencing services for the elderly and in reducing poverty among the elderly. There are major disagreements about the extent to which government programs should be used to reduce poverty and influence services, and the United States focuses less on poverty reduction and social services than many other western countries.

The impact of the changing environment on the system has been discussed for a long time. Looking at the very big picture, poverty rates among the elderly have declined substantially over the long run, and retirement periods have lengthened. However, many workers, particularly those in their 50s and 60s, have experienced flat or declining real earnings over time. Today’s retirees are much better off than their grandparents were, overall. But it is unclear how the next cohort will fare, and it is even more unclear how the group after that cohort will do. The spectrum of views about how well the retirement system is doing ranges from the belief that the situation is generally fine to the view that there is a crisis. The lack of con-
sensus, combined with the political environment, leaves a climate that makes meaningful change and even meaningful discussion in a policy arena very difficult.

The Society of Actuaries (SOA) conducted research in 2015 on what retirees and those nearing retirement know about retirement risks and how they manage them. This research also included focus groups with people who had been retired 15 years or more. The key findings of this research help set the stage for thinking about policy. Some of the most important findings include:

- Retirees consistently have shown gaps in knowledge about retirement.
- Some people don’t plan and, of those who do plan, many limit their planning to shorter term, predictable cash flows, and many do not plan for a long enough period. There are significant opportunities to improve planning.
- Retirees are often well-satisfied with their lives. Many have accepted and adjusted to significant reductions in expenses.
- Many people do not prepare well for shocks and unexpected expenses. While the majority can adjust, a significant number of retirees are in a much worse position after shocks.

Employer-provided pensions, both DB and DC, are highly regulated. The regulatory authority is split between several federal agencies: the Treasury Department, the Department of Labor and the Pension Benefit Guaranty Corporation (PBGC). If insurance is used to fund benefits, state insurance departments are involved. Advisors working with programs are regulated by a variety of agencies, and mutual fund and security products also are regulated by different agencies. There have been many complaints about regulatory complexity around employee benefits.

The situation has been further complicated over the last few years by the development of state programs for retirement savings. A number of states are now implementing state-run retirement savings programs to cover people who are not offered employer-sponsored retirement plans.

Underlying the challenges in the U.S. is an economy in which many families struggle to make ends meet. Many families with inadequate savings for retirement also spend all of their income or more and have problems with debt. However, it should be pointed out that poverty rates are much lower among the elderly than among children and working-age adults. Social Security benefits help retirees stay above the poverty level, but the benefit levels are still quite modest for lower income individuals. It can be strongly argued that economic security in old age for people who lived in poverty during their working years is a broader challenge and not something that can be realistically expected from the retirement system.

While the discussion above relates to the U.S. environment, there are parallel demographic developments in many countries that face somewhat similar issues. Many countries also have financial literacy challenges. And, in fact, a number of countries are aging more rapidly than the U.S. and face more severe challenges.

Health Care

The U.S. has multiple health care financing systems: Medicare for those over the age of 65 and the long-term disabled, an employer-based system for most of the working-age population, public exchanges for those not covered by the employer-based system and Medicaid, a public system for the indigent. The Affordable Care Act (ACA), enacted in 2009, contained provisions to cover the uninsured and imposed standards for coverage on employers and insurers. The public exchanges were established in accordance with ACA.

Health care providers are paid very different amounts by these diverse systems, and some providers choose to participate in only parts of the system. Some specialties and some geographic areas have a shortage of providers. Government, providers, employers and insurers all play a role in the provision of coverage, with government having a very important role. There are major societal disagreements about the effectiveness of the current system and the desirable directions for the future.

Medicare covers nearly all Americans over the age of 65 and the long-term severely disabled. It was enacted in 1965, is highly regulated and has an established payment methodology, as well as limits on the residual fees that can be charged to covered individuals. Providers are paid significantly less than their standard fees for services provided to Medicare.
patients. Medicare allows eligible individuals to opt for an alternative plan vs. traditional fee-for-service Medicare.

Medicare is financed by a combination of taxes paid by working individuals and their employers (at the same time they pay Social Security taxes), by premiums paid by covered individuals and by general revenues. Medicare taxes paid while working and Medicare Part B premiums paid after retirement are income-related. The current financing streams are not adequate to pay the benefits. Covered individuals are generally well-satisfied, but health care providers are less satisfied, and some decline to take new Medicare patients or, in some cases, any Medicare patients. Providers shift costs because of the Medicare fee schedules by levying higher charges on younger patients to make up the difference. Medicare also does not cover long-term care costs, which can be significant.

Retiree health coverage was previously offered by many employers but is much less common today. Some larger employers offer retirees coverage to supplement Medicare and allow retirees to stay in their benefit plans until Medicare eligibility. Participants in fee-for-service Medicare can purchase private supplemental insurance, and many do. Federal law defines the benefit patterns for such supplements, and the states regulate the insurance companies.

The majority of the working-age population has health coverage through employer-sponsored employee benefit programs. Employer-provided health benefits are federally regulated and, if they are insured, the states regulate the insurance companies. Since 2010, ACA has offered access to insurance through exchanges for people without employer-provided coverage and also added a new layer of regulation. Coverage provided through the exchanges is subsidized for people with incomes below certain limits. ACA added other new requirements, such as mandating that children under the age of 26 can remain on their parents’ coverage and outlawing preexisting condition limitations. ACA is highly controversial, and there have been substantial efforts to repeal or modify it. It is unclear what may happen.

Medicaid offers government-paid coverage to the indigent with program variations by state. The states provide Medicaid with partial funding from the federal government. ACA offered subsidies for Medicaid expansion, and many states have implemented that. Poorer, older and long-term disabled Americans can be eligible for both Medicare and Medicaid, in which case Medicaid covers the cost of premiums, deductibles, etc., so that virtually all medical expenses are paid. Unlike Medicare, Medicaid is a major financier of long-term care and nursing homes, paying for substantial long-term care services for eligible individuals. As a result, those who are eligible for Medicaid are in a very different position with regard to long-term care services than the public at large. A number of people spend down assets when needing long-term care and then become eligible for Medicaid.

Who Has Focused on These Issues?

Perspectives on policy, desirable goals and the longer term retirement system issues vary widely. Below are a few examples of private sector groups that have studied some or all of these retirement system issues.

In its Retirement 20/20 project, SOA convened a diverse, multidisciplinary group of participants to look at the environment and how the retirement system might adapt. This 2006-2010 project focused on a framework for thinking about the retirement system of the future and established principles. See the website for a variety of reports and communications from this project. Note that it did not deal with any of the issues of health care during retirement.

Globally, the Australian Centre for Financial Studies has partnered with Mercer to develop the Melbourne Mercer Global Pension Index. This annual study evaluates retirement systems in a number of countries, focusing on three domains—adequacy, sustainability and integrity. The rating system reflects the values of the sponsors rather than the culture and values in the individual countries. However, the report is a very valuable resource to understand how the same issues are found in many countries and to understand major differences in retirement systems and policies. The 2016 Melbourne Mercer report identifies several challenges common to many countries, including the need to:

- Increase the state pension age and/or retirement ages to reflect increasing life expectancy
- Promote higher labor force participation at older ages, thereby increasing retirement savings and reducing the length of retirement
• Encourage or require higher levels of private savings
• Increase the coverage of employees and/or the self-employed in the private pension system
• Reduce preretirement leakage from the private retirement system
• Improve the governance of private pension plans
• Review the level of public pension indexation.

In the U.S., the Bipartisan Policy Center has released a number of reports on the future economic security of the aging population. For example, in June 2016, it released Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings. That report identified six key challenges when considering retirement security:

1. Many Americans’ inability to access workplace retirement savings plans
2. Insufficient personal savings for short-term needs, which too often leads individuals to raid their retirement savings
3. Risk of outliving retirement savings
4. Failure to build and use home equity to support retirement security
5. Lack of basic knowledge about personal finance
6. Problems with Social Security, including unsustainable finances, an outdated program structure and failure to provide adequate benefits to some retirees.

The Employee Benefit Research Institute (EBRI) has a retirement security projection model and has produced a number of reports looking at the national challenges to retirement security and at the impact of specific policy proposals. The EBRI analyses, which include health and long-term care expenses, indicate that many people are in trouble. Other EBRI analyses have also documented why small businesses are unlikely to sponsor retirement plans.

The Center for Retirement Research at Boston College has repeatedly identified what it defines as a crisis in the retirement system.

The Investment Company Institute has written about the successes in the retirement system and has a very different perspective from some of the other groups.

There is a lot of disagreement about whether there is a crisis in the retirement system. In my view, this is a story that can be told as the glass is half full or the glass is half empty. The pension system has suffered because there is too much focus on the half-empty side. I focused on the balance in May 2013 in my article “Perspectives from Anna: The Relativity of ‘Success’ and ‘Failure.’”

One of the big questions is expectations for retirement security. Expecting people who have done well economically before retirement to continue to do well in retirement is very different from expecting everyone (including those people who did not do well before retirement) to do well in retirement. The retirement age that is used to measure whether benefits are adequate makes a large difference, as do the goals that are used to measure against.

The Women’s Institute for a Secure Retirement (WISER) and the Pension Rights Center are examples of organizations representing the individual perspective. WISER published Blueprint: Securing Women’s Retirement Future in 2008. Most of the issues raised in Blueprint still apply today and overlap substantially with the list compiled for this article. While the demographic pattern has advanced nine years, and many employers have moved away from DB plan benefits and cut their retiree health plans, many of the issues are unchanged. WISER focuses heavily on challenges facing women and shows that single women are overall less well off than couples or single men.

The American Academy of Actuaries, through its Retirement for the AGES project, provides a framework based on fundamental principles to illustrate the strengths and shortcomings of retirement systems and proposals to reform them. The framework addresses the needs of retirement plan stakeholders in both the private and public sectors and focuses on alignment, governance, efficiency and sustainability.

There also is a range of viewpoints about Social Security. About 20 years ago, there were major proposals to privatize all or part of Social Security. In the last few years, a group named Social Security Works has been working to strengthen Social Security, arguing that it will improve retirement security for Americans. Many other groups have looked into how to make relatively modest changes to bring Social Security back into financial balance without raising taxes (or with a very minor tax increase). Others are looking for substantial cuts in benefits.
From the participant viewpoint, the situation is aggravated by increases in Medicare Part B premiums, which can be greater than cost-of-living increases to Social Security for many people.14

The public policy climate has made it very difficult to have a good discussion of general retirement policy issues within the policy-making environment. An unwillingness to compromise among stakeholder groups has added to the difficulty, so the discussions of the last eight years have largely taken place within research organizations, professional and trade associations, academia and think tanks.

The 2016 federal election signaled a change in direction on many issues. One of the big questions is whether policy makers will participate in a much wider ranging discussion of retirement security in the next few years and whether they will have consistent goals and be more willing to compromise where there are differences.

Many groups are thinking about a lot of different issues, and success in addressing them will depend on a process that can bring people with diverse viewpoints to the table. They will need to set priorities and be prepared to compromise. At present, I do not know of any effort to bring the groups together to develop a unified approach.

Key Issues

This is a list of important issues as I see them. Some have been part of the public discussion in the last few years, and others have not. If we are to truly move forward to a better situation, it is important that we think broadly.

Individuals Without Employer-Sponsored Retirement Coverage

This issue has received a lot of focus in the last five to ten years. Employer-sponsored plans have been an important part of retirement security, particularly for people with career employment or a series of jobs in organizations with good benefits, but many Americans currently have no access to an employer-sponsored retirement plan. People without employer plans include many who work for small employers and those in part-time employment or without steady employment. The issues to be addressed include coverage, level of Social Security benefits, encouraging small employers to do more and minimum benefits. Other countries also have coverage issues.

Growing Periods of Retirement

Although this is a huge long-term issue, it has received relatively little focus from public policy makers. Life expectancies after the age of 65 have increased significantly since the mid-1900s. Retirement ages dropped over much of that period and then started to increase, but the increases in retirement age are much less than the increases in life expectancies. The resulting longer periods of retirement are creating strains on many families as well as social programs. Retirement age should be addressed and, as pointed out in the Melbourne Mercer study, this is a concern in many countries.

Disability and Retirement Savings

With the shift from DB to DC plans, the inclusion of disability risk protection as part of retirement benefits has largely been lost. For most DC participants, long-term disability will mean they can no longer save for retirement and perhaps will withdraw from retirement accounts too early. DC plans need a link to disability protection.

Inadequate System of Long-Term Services and Support

There are challenges with regard to long-term services and supports in the delivery of services, financing and support for caregivers. Most long-term support is provided at home by families and friends. The vast majority of the population does not have long-term care insurance or a financing plan if they need significant long-term care.16 A major long-term care event can be a disaster for many middle-income U.S. families. Medicaid provides some long-term care protection for the severely disabled after spend-down of assets. A better financing and delivery system is needed for long-term care.

Health and Health Benefits

Health care issues for the aging population are part of a broader set of health care challenges, including
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a costly and confusing delivery system and people without coverage. In the U.S., employee benefit plans are the most common form of health care financing for working individuals. Medicare covers a substantial part of the acute medical care costs for Americans over the age of 65 and the long-term disabled, but participants pay premiums and copays that can add up. Estimated lifetime out-of-pocket medical costs for a 65-year-old couple retiring in 2016 are $260,000. Cognitive decline also is a major part of the health picture for many people as they age. Medicare has long-term financial challenges and will need to be modified soon in order to stay solvent. One of the big challenges today is uncertainty about what Congress will do to the health care financing system in the near future. A better delivery system with an affordable cost structure is needed for health care and long-term care services.

Role of Housing in Supporting Retirement

The majority of older Americans own their own homes, and many have mortgages. The value of nonfinancial assets, primarily the family home, exceeds the financial assets of many families, and some families have virtually no financial assets. Most people prefer to stay in their homes, and most often they try to hold on to their houses. Reverse mortgages have not been widely used, but there is growing interest in using them, and a number of strategies have been proposed. The retirement financial planning process should integrate how nonfinancial assets will be used in retirement.

Using Assets to Support Lifetime Spending in Retirement

DB plans offered life annuities with joint and survivor provisions as their normal method of payout. Most DC plans pay out benefits as lump sums. Lump sums also were an option in some DB plans. Now that DC plans are often primary retirement vehicles, more focus is needed on payout methods that spread resources out over the individual’s lifetime.

Structure of Tax Laws and Regulations

Tax laws often drive the types of plans that are offered and the maximum benefits that can be provided. One of the big challenges today is to make the regulatory and tax system work more effectively for retirement savings. The legal structure was significantly improved in 2006 when autoenrollment was authorized for DC plans. Large-scale tax reform has been under discussion over the last few years, and it is quite possible that this might include big changes in support for retirement savings. Some important questions for the U.S. are: How can the system do a better job of providing benefits to people at all income levels? Should plan structures that share risk differently between participants and plan sponsors be authorized? There is concern that too much of the risk is borne by sponsors in DB plans and too much of the risk is borne by participants in DC plans. Some structures used outside of the U.S. provide different methods of risk sharing and have drawn interest from some U.S. plan sponsors.
State vs. Federal Solutions
Many states have initiated plans to provide retirement savings coverage, often using an automatic individual retirement account (IRA) approach for people who do not have access to an employer plan. Each state plan is different, and some are further along than others. Opinions differ with regard to the desirability of state plans vs. a national approach. Congress has not been willing to pass federal auto-IRA legislation, and federal agencies are supporting state approaches. I believe a uniform federal approach would be better.

Fiduciary Responsibility and Advice
A variety of different types of professionals provide financial and other advice in connection with retirement. Some sell products, and some do not. Some are subject to fiduciary requirements, and some are not. Some are paid by commissions, some by fees linked to assets under management and some by other methods. There have been concerns about conflicts of interest and evidence of such conflicts influencing the advice provided. After a major battle lasting several years, the U.S. Department of Labor issued new fiduciary rules in 2016 that substantially expand fiduciary requirements in connection with retirement advice. These rules are being tested in the courts. The fiduciary rule went into effect June 9.

Some Ideas for Addressing Selected Issues
Public policy defines public benefits and influences employee benefits and personal action. With regard to employee benefits, government can operate in different ways, including mandating and regulating benefits, educating the public, offering safe harbors, encouraging savings and other actions, and setting standards for disclosure and administration. These ideas are focused primarily on the employee benefit arena. In the long run, many changes are possible that will improve the system.

It would be very useful to develop and agree on an integrated policy that would offer a means to test proposals to address these many issues, but this is not likely to happen in the near future. The country is very divided about many of the underlying philosophical issues, and benefit provisions may well be included in tax reform and tacked on to other legislation. Benefit issues are most likely to be handled piecemeal, a few at a time, and are likely to be discussed at both the federal and state levels. As we move forward with single issues, we should not forget that an integrated policy is still needed and should be developed when the time is right.

For this article, a few of the issues have been selected for a discussion of options. These are ideas for consideration, and there is no unified set of recommendations provided.

Encourage Improved Risk Protection in Organizations With Primary DC Plans. Risks Include Longevity Risk, Disability Before Retirement, Investment and Inflation Risk.

Risk protection is a very important but often overlooked part of retirement programs, particularly in a DC world. Policy makers can support enhanced risk protection through public education, safe harbors and regulations that encourage such protection.

Public Education
A public education effort should be developed to provide more information about retirement risks and help employers and individuals focus on risk protection options. Consider the development of scorecards to enable employers and individuals to rate their efforts with regard to risk protection.

Improving Options for the Payout Period
I would encourage the development of safe harbors to make it easy and safe for plan sponsors to provide more options for the payout period. A framework for safe harbors, including a menu of different options, disclosure and administrative requirements, is set forth in the SOA paper Foundations in Research for Regulatory Guidelines on the Design & Operation of Retirement Income Solutions in DC Plans, by Steve Vernon.

Disability and Long-Term Care Risk Protection
These are complex topics that need more exploration. Both are threats to retirement security. Policy makers are encouraged to develop programs and policies to increase pub-
lic awareness and to encourage the private sector to enhance such protection.

**Coverage**

This issue has received a great deal of attention in the last few years, and the discussion has been linked to future directions in the retirement system and the employer role. People with no employer-provided retirement savings include those without steady employment, those working as contractors, people with part-time or other jobs without benefits, and people who left jobs before vesting or who have withdrawn benefits and spent the money. Many lower income people will never qualify for employer-sponsored retirement benefits.

As we think about options, we should remember that there is a substantial group of people (probably 20% to 30% of the population) who will never have retirement benefits beyond what is provided by government programs. Small employers are less likely to provide benefits than larger employers, and this is not likely to change.

Questions to think about in addressing this issue:

- Should efforts be undertaken to encourage/mandate a greater employer role in addressing this issue?
- How much focus should be on the role of government/programs for all?
- What and how much should be mandated?
- What barriers stand in the way of employers doing more today?
- What actions would encourage lower and moderate-income workers to save more?
- What risk pooling is needed to maintain the viability of the program, and how best can people be brought into the risk pool?

This issues could be addressed in several ways:

- **Improve Social Security benefits.** Options include across-the-board increases for all beneficiaries, greater increases in benefits for those at lower income levels, and an increase in minimum benefits.

- **Mandate auto-IRAs.** This would require employers (as defined by law) that do not provide any type of retirement plan to provide an auto-IRA with payroll deduction. Employees could opt out, and employers below a certain size would be excluded. This option becomes much more attractive if refundable tax credits are used to help support the benefit for those with very low income. A number of states are looking at variations of this option. I believe that a uniform national program would be much more desirable.

  - **Make pooled or multiple employer plans more available to small employers.**
  - **Mandate a minimum employer contribution into a retirement plan, such as 3%.** Variations of this option have been raised a number of times. Australia mandates a minimum of 9%, and this is increasing, but there is nothing similar to the U.S. Social Security system there.

I support increasing minimum Social Security benefits and a federal mandate of auto-IRAs. Auto-IRAs would work most effectively if they were combined with tax credits for lower income people. I prefer increasing Social Security generally vs. mandating a specific contribution to a second-layer mandated plan.

**Aging Population, Growing Periods of Retirement and Work at Higher Ages**

Overall, periods of retirement are growing a great deal, but there is wide disparity between population subgroups. Lower income groups have shorter life spans and periods of retirement. Some jobs accommodate later retirement ages, while others do not.

Some people prefer to phase into retirement, gradually tapering off their work commitment. Many people today are doing some work as part of retirement. Policy could be much more supportive of creating options for older workers who want or need to work longer. Here are some ideas:

- **Provide more support for phased retirement, including rehiring of retirees.** Policies could provide safe harbors for rehire of retirees and for bona fide termination of employment. The U.S. Congress authorized a phased retirement program for federal employees, but few agencies have actually adopted it and extended the offer to employees. Federal agencies could be encouraged to offer the federal phased retirement program to their employees.
• Provide support and incentives for employers that want to encourage older workers to continue working.
• Adjust Social Security retirement ages to reflect increasing longevity, and also adjust and possibly redesign disability benefits to fit with the new changes.
• Reevaluate age discrimination legislation to see if it fits in the emerging environment and is supportive of employer experimentation to offer new options to working seniors.
• Change the Medicare secondary rules so that Medicare becomes primary for individuals who are working past the age of 65.
• Try to move away from normal retirement age terminology. It creates expectations about retirement ages. Permit private DB plans to have formulas that end at a retirement age higher than 65.

Health Care Protection for the Older U.S. Public

Medicare is the central part of health care protection for older Americans. There are major differences of opinion about what changes to Medicare are needed and whether it should be unified with health benefits for Americans at all ages.

The design of traditional Medicare is similar to health benefits that were offered in the 1960s and 1970s. Questions include the following.

• Should the program remain in its present form and, if not, what should be done?
• How can we control the underlying cost of care? These costs are the root of Medicare financial problems.
• What adjustments are needed to the benefit structure?
• What adjustments should be made to:
  —Eligibility
  —Contributions
  —Subsidies from the general budget
  —Payment methods used to pay providers?
• Should fee-for-service Medicare be replaced by vouchers?
• Should Medicare Advantage provisions be adjusted?
• How should coverage be coordinated with long-term care?

Health system issues go far beyond Medicare, and there is a huge mix of long- and short-term health care issues. The largest societal issue is improving the efficiency and affordability of the overall health care delivery system. A number of ACA provisions seek to make improvements but, at present, there is a great deal of uncertainty about the future direction of health care financing. Further discussion of those issues is beyond the scope of this article.

Conclusion

The economic security of older Americans is the result of personal effort, employee benefit plans and public programs. Public policy defines the public programs, significantly influences employer programs and, to some extent, influences individuals’ personal behavior. Economic security policy needs to respond to societal changes, but often it does not keep up. A number of issues should be considered; however, there are substantial disagreements about philosophy, and that makes responses difficult.

This article may give the reader the impression that the situation is a mess, and it is challenging. It is hoped that all parties will work together to improve the future for all Americans and that these issues will not be forgotten.

Postscript: Those who have followed my work know that I am very concerned about women’s issues. All of the issues in this article apply to women as well as men, and there are, in addition, issues related to differences in work and life histories, divorce and widowhood. These are the topics for another article.

Endnotes

1. However, it should be pointed out that many Americans did not achieve long-term employment, and the benefits of these plans were not available universally. The Employee Benefit Research Institute (EBRI) has studied historical turnover trends and pointed this out in various articles. For example, see “Employee Tenure Trends, 1983-2014,” EBRI Notes, Vol. 36, No. 2, February 2015: www.ebri.org/pdf/notespdf/EBRI_Notes_02_Feb15 _Tenure-WBS.pdf. That article points out that median tenure of U.S. workers was 5½ years in 2014 compared with five years in 1983.

experienced a 101.1% growth; the top quintile, 83%; the second quintile, 49.7%; the middle quintile, 29.4%; the fourth quintile, 18.6%; and the bottom quintile, 25.5%.

3. Poverty rates in 2013 were 9.5% for Americans aged 65 and over, 13.6% for Americans aged 18-64 and 19.9% for Americans under the age of 18. Poverty rates for the aged 65 and over population have dropped dramatically since 1959. Data is from “Income and Poverty in the United States, 2013,” Figure 5, Current Population Report, U.S. Census Bureau, issued September 2014: www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf.

4. The Veteran’s Administration also offers government-financed health care for veterans.

5. Dual eligibles were 18% of fee-for-service Medicare beneficiaries in 2012. In 2012, 61% of dual beneficiaries were below the poverty level, 18% were at 100% to 125% of the poverty level, and 15% were at 125% to 200% of the poverty level. Thirty-eight percent had no limitations in activities of daily living (ADLs), 27% were limited in 1-2 ADLs, and 35% were limited in 3 or more ADLs. Data is from Section 4 of “A Data Book: Health Care Spending and the Medicare Program,” June 2016, from MedPac.


13. See www.strongersocialsecurity.org/about/.

14. For existing retirees, when the premium increase would be greater than their Social Security increase, a cap is placed on the current year increase so that there is no net reduction in Social Security benefits.

15. Note that everyone has access to individual retirement accounts (IRAs), allowing tax-preferred retirement savings, but most people do not take advantage of saving in this way. Since people are much more likely to save if they have an employer plan, the access to IRAs has not reduced the emphasis on the need for more widespread access to payroll deduction and employer-sponsored plans.

16. Traditional insurance products are in decline, and many companies have exited the market. Combination products are getting more attention.

17. This is different from many other countries that have government-sponsored health programs for all.

18. From Fidelity Investments: www.fidelity.com/viewpoints/retirement/retirement-wage-costs-rise#. Fidelity also estimates an additional $130,000 for long-term care insurance coverage.

19. According to the Bipartisan Policy Center, Americans own more than $12.5 trillion in home equity, a sum that rivals the $14 trillion that Americans hold in retirement savings. (See Securing our Financial Future: Report of the Commission on Retirement Security and Personal Savings.)

20. There are many policy issues with regard to the regulation of different types of financial advisors and professionals and with regard to conflict of interest. State insurance departments and the Securities and Exchange Commission are involved. Those issues are beyond the scope of this article.


22. According to the Bipartisan Policy Center, more than 40 million Americans were not covered by a workplace retirement savings plan as of October 2016. (See “Pooled Plans: A Promising Approach to Expand Access to Workplace Retirement Savings.”)

23. According to the Bipartisan Policy Center, 90% of workers for employers with 500 or more workers have access to an employer-sponsored savings plan, compared with about half of workers employed by employers with fewer than 100 employees. (See “Pooled Plans: A Promising Approach to Expand Access to Workplace Retirement Savings.”)