

Retirement for All: An issue to make the “blue wave” a tsunami

Proposal

For years polls have shown the general public to be more supportive of specific policy issues than the close partisan elections would indicate. People from across the political spectrum want action on affordable health care, adequate public school funding, and rebuilding our crumbling public infrastructure. This is a golden opportunity for Democrats to LEAD even if they control only one of the branches of government. A **bold** agenda that addresses people's real needs and concerns could turn the “blue wave” of 2018 into a tsunami in 2020.

As this week's special legislative session shows, *Republicans are NOT going to cooperate with Governor Evers* for the good of the state. Let's face facts. Governor Evers cannot expect to pass progressive legislation, BUT he can use his power as governor to set a new agenda, frame the debate, and show the people a path forward on problems facing them.

POWRS* (Protect Our Wisconsin Retirement Security) believes the pending retirement crisis is one of these issues. We propose a bold initiative to provide every worker in Wisconsin with the option of a secure, guaranteed, defined benefit retirement. The Wisconsin Retirement System (WRS) provides a model for how this can be accomplished.

The WRS could be used as a template to create a “sister system” for private sector employers. The WRS is one of the best public employee retirement programs in the nation. It is 100% funded, provides good, stable, guaranteed benefits to over 500,000 participants. These benefits ARE NOT funded by taxpayers. Participating public employers do contribute on behalf of public employees, but this earned employment benefit costs Wisconsin taxpayers very little.

Using the experience and good procedures of WRS, a sister system would rely on the expertise of the State of Wisconsin Investment Board while **maintaining fund independence and integrity**. It could provide Wisconsin businesses with a voluntary, defined benefit option for their employees, reducing their costs and giving them a huge competitive advantage for all Wisconsin employers.

POWRS proposes that Retirement for All serve as a long term goal for the Evers administration. This winning issue can build broad support all across Wisconsin. Senator Dave Hansen and former Representative Eric Genrich have already introduced legislation to investigate this possibility. Our experience shows this could be not only a winning issue for Governor Evers and Wisconsin Democrats, but is certainly the right thing to do.

POWRS, founded in 2011, has done a lot of meaningful work on this issue. We have attached a brief rationale to support our position. We urge you to consider this an important piece of your public policy moving forward.

Rationale

A retirement crisis is unfolding in Wisconsin. Before long, four out of ten of residents will be in their "golden years." Many will have inadequate financial resources for retirement. According to AARP, 41% of Wisconsin's private sector employees (about 928,000 people) work for employers that do not offer *any* kind of retirement plan. Decades of low-paying jobs, lack of pension access, inadequate company participation in 401(k) programs, rising health care costs, and the inability of average workers

to save on their own, have created a retirement crisis. Many Wisconsin seniors are living in poverty and more will join them in the future. This situation will severely impact Wisconsin's economy and strain public safety net programs in the future.

Republicans favor replacing reliable defined benefit pensions with unstable defined contribution savings accounts commonly called IRAs or 401(k)s. They also advocate converting Social Security to private accounts and Medicare to fixed amount vouchers. At the same time, they have fought meaningful oversight of the financial services industry and recently repealed the “fiduciary rule” for investment advisers which required investment salespeople to be *honest* with their customers.

Independent research shows that most individuals who save on their own get lower investment returns, pay higher management fees, and have dramatically less at retirement than defined benefit retirement plans. Most working people do not have the knowledge, or time, to successfully manage their own retirement portfolio. People make investment mistakes such as not saving enough, taking withdrawals, misjudging risk, “chasing performance”, and attempting to “time the market” for the highs or lows. Mutual funds, index funds, IRAs, 401(k)s, and deferred compensation programs, although useful for many people and good savings tools, do not change these simple facts.

Pension plans are not the same thing as retirement savings plans such as IRA's or 401ks. Pensions pool resources and spread risk to achieve better returns and greater stability for all participants. Pensions provide guaranteed retirement income that individual accounts cannot provide. This is possible because the monthly retirement annuity is not solely dependent on short term investment returns, which can vary widely with market volatility. The pooled assets, plus investment returns, plus regular, continuing contributions from all the participants, insure individual retirement income.

Individual accounts do not provide the economies of scale, shared risk, ability to spread poor returns over time or many plan participants that are available with defined benefit pensions like WRS. Investment advisers and retirement program sales people do not replace pension program managers with a fiduciary duty to invest in the best interests of the participants.

**POWRS is a statewide group of volunteer citizens working to protect WRS and to enhance retirement security for all Americans. See www.powrs.org.*