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WOMEN AND RETIREMENT: UNIQUE CHALLENGES AND OPPORTUNITIES TO PAVE A BRIGHTER FUTURE

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C O N T E N T S

WOMEN AND RETIREMENT: UNIQUE CHALLENGES AND OPPORTUNITIES TO PAVE A BRIGHTER FUTURE

THURSDAY, SEPTEMBER 24, 2020

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The Committee met, pursuant to notice, at 9:32 a.m., in room SD-562, Dirksen Senate Office Building, and by videoconference, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins, Tim Scott, Hawley, Braun, Rick Scott, Casey, Gillibrand, Blumenthal, Sinema, and Rosen.

OPENING STATEMENT OF SENATOR SUSAN M. COLLINS, CHAIRMAN

The CHAIRMAN. Good morning. The Committee will come to order.

Over the years this Committee has focused on improving retirement security for older Americans today and for generations to come. Many of the financial paths to retirement today are not as they were in the past, and for some Americans these paths appear to lead to a financially insecure future.

Prior to COVID–19, the nonpartisan Center for Retirement Research at Boston College estimated that Americans face a cumulative $7 trillion gap between what they are projected to have saved for retirement and what they are likely to need. The COVID–19 public health emergency and economic recession are expected to further increase this staggering gap. For some women, the situation is particularly acute, and that is the focus of our hearing today.

It seems appropriate that as we mourn the passing of Justice Ruth Bader Ginsburg we focus today on the unique challenges women face in preparing for and maintaining a secure retirement. In general, women are more likely than men to take time away from the workforce to raise children or even grandchildren. They are more likely to care for an ill spouse or parent. Time out of the workforce often results in lower social security benefits, smaller pensions, and less in defined contribution plan savings.

Women also have a higher life expectancy than men do. A woman born in 2020 who reaches age 65 can expect to live 2 years longer than a man born in that same year. Higher average life expectancy can also translate into higher expected lifetime health care costs and a greater risk of outliving one's savings.

Today we will feature a report from the Government Accountability Office that this Committee requested on the challenges that women face in retirement. The report includes the voices of women across the country sharing their stories with us. These women tell us about their struggles, including navigating the rising costs of prescription drugs, housing, and other necessities, and how limited opportunities for financial education contributed to these challenges.

To lower the cost of prescription drugs I have spearheaded bills that have been signed into law. As a result of this Committee's landmark bipartisan investigation into prescription drug price spikes, I developed legislation with then Ranking Member Claire McCaskill to incentivize lower-cost but equally effective generic medicines. That law created an expedited new pathway at the FDA that has resulted in 44 new generic drugs.

We can and must do more to bring down the cost of prescription drugs. That is why I support the Prescription Drug Pricing Reduction Act of 2020, which is projected to save seniors and individuals with disabilities $72 billion in out-of-pocket costs in Medicare Part D and reduce premiums by $1 billion. This is the legislation led by Senator Grassley and Senator Wyden.

As Chairman of the Housing Appropriations Subcommittee, I am also keenly aware of the housing needs and challenges faced by our Nation's seniors. Of the 31 million senior households in the country, nearly one-third, or 10 million households are paying more than 30 percent of their income on housing costs. That is why I have also championed to increase funding to provide low-income seniors with safe places to live independently, whether this is through HUD-assisted housing or through home modifications to enable low-income seniors to remain in their own homes.

Just last week I wrote a letter to Treasury Secretary Mnuchin, urging the administration to provide rental assistance in the next COVID relief package. I am committed to working on all fronts to ensure that housing is safe and affordable for all seniors.

Social security has also emerged in the report as a persistent concern for many women who are planning to rely on this financial resource for retirement. Yet, in some states, including my State of Maine, public employees such as teachers continue to have their earned social security benefits unfairly reduced by two social security provisions, the government pension offset and the windfall elimination provision. Both of these provisions have a disproportionate impact on women.

I have heard from women throughout Maine, particularly retired schoolteachers, who are affected by these laws, such as a 65-year-old woman in Jay, Maine, who changed careers after 30 years of teaching to pursue a career where she will earn social security coverage. However, she is not able to receive any of her deceased husband's social security benefits due to the government pension offset, and her very own social security will also be reduced because of the windfall elimination provision. That is why I have consistently sponsored the Bipartisan Social Security Fairness Act, which would fully repeal both of these unfair offsets.

I am committed to developing solutions, from lowering the cost of prescription drugs and housing to strengthening social security.

We must also address caregiving duties and financial education. Thanks to the RAISE Family Caregivers Act, a law that I authored with Senator Baldwin, a national security is in the works to support family caregivers and improve their financial security. In the 2020 Older Americans Act reauthorization that I led with our Ranking Member, Senator Casey, we worked to ensure the continuation of the National Resource Center for Retirement and Women, which is a hub for financial education.

Today I look forward to hearing about the GAO report in more detail to determine and guide our work on what we can do to improve the retirement security for all women. Thank you.

I am now pleased to turn to our Ranking Member, Senator Bob Casey, who is joining us remotely this morning. Senator Casey.

OPENING STATEMENT OF SENATOR ROBERT P. CASEY, JR., RANKING MEMBER

Senator CASEY. Chairman Collins, thank you very much for having this hearing on the topic of women's retirement security. I also want to thank Gene Dodaro and the Government Accountability Office for producing a report that is informing our conversation today.

As I always mention when the Comptroller General is here, he is a Pennsylvania native from Monongahela, which is in Washington County, which is in the southwestern corner of our State, just south of Pittsburgh, we are always grateful that a Pennsylvanian has done so well in the work he has done for the GAO.

We know, as Chairman Collins just highlighted, we know that last Friday, when we lost a pioneer for gender equality in Supreme Court Justice Ruth Bader Ginsburg, we were also reminded that she challenged all of us to advance the causes of justice and equality. She also reminded us, and would remind us, that these advances will not simply happen on their own. They must be fought for.

I believe our discussion today about gender inequality in retirement is another critical facet of this work. Achieving financial security in retirement is a goal that every American, women or men, should be able to achieve. The unfortunate truth is that while our retirement system works for some it continues to allow millions of Americans to fall through the cracks. This is especially true when it comes to women, who continue to have lower average retirement incomes and are more likely—more likely to fall into poverty in old age.

As the GAO report that we are focused on today makes clear, we know that there are many factors that are responsible for these disparities: 1) we know that differences in life expectancy means women have to put away more money to save for additional years of retirement and medical expenses; 2) we know that the pay gap means that women earn less over their careers than men do, on average, undermining their ability to save; 3) we know that family caregiving responsibilities disproportionately fall on women, and they spend more unpaid time out of the workforce; and 4) we know that these factors and others result in women receiving lower average social security benefits and relying on less income in old age.

We have documented all of these problems. What we need to do now is to take action and address them. To ensure that all women are able to enjoy retirement on their own terms and be financially secure, we must do at least the following: 1) strengthen social security and increase benefits for those most likely to fall into poverty; 2) take action to secure multi-employer pensions and to protect the benefits millions of workers are relying on; 3) close the pay gap and ensure that women are paid equally for equal work so they can save for retirement; and 4) create permanent paid sick and paid family and medical leave so workers do not have to take as much unpaid time out of the workforce to care for loved ones.

Legislation that would address all of these needs has already been introduced, and we should pass that legislation, or several pieces of legislation, without further delay. It is more important now than ever that we take action, because as we speak, millions of families are continuing to struggle through the pandemic and the economic and jobs crisis that was created by the COVID–19 pandemic. This crisis is not only harming families' finances now but also threatens their ability to achieve financial security in retirement.

The Senate had all summer to act and we did not, but has still not passed additional legislation to get the families the support they need and mitigate the long-term economic damage. We should pass a relief bill now, while we are here in Washington, and pass legislation that addresses these long-lasting inequities that have prevented women from being able to maintain their quality of life in retirement. We must make sure that all Americans—all Americans—are able to achieve the financial security that they have earned.

Chairman Collins, thank you again for the hearing. We look forward to our witness's testimony.

The CHAIRMAN. Thank you very much, Senator Casey. Let me explain that we have Senators here in person and we also have Senators who are joining us remotely. I am going to go in order of seniority, and we will proceed, but first I am going to turn to our witness. I am very pleased to welcome the Comptroller General of the United States, Gene Dodaro, to testify today. His career at the GAO has spanned more than 45 years, and he will mark his 10th year as Comptroller General in December. I am pleased to say that I chaired the Homeland Security and Governmental Affairs Committee when we considered his nomination.

He has played a key role in guiding the agency's efforts to bring to light emerging issues that deserve our attention and action. Today the Comptroller General will discuss the findings from a recent GAO report exploring older women's perspectives on their financial security.

Comptroller General, we welcome you here today and look forward to hearing your testimony. I am particularly pleased to note that you did focus groups of women to guide your work, and I understand that we will hear from some of them today. Thank you. Please proceed.

STATEMENT OF HON. GENE L. DODARO, COMPTROLLER GENERAL THE UNITED STATES, GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, D.C.

Mr. DODARO. Thank you very much, Chairman Collins. I appreciate greatly the opportunity to be here. Senator Casey, Senator Blumenthal, I very much appreciate your presence and your comments.

I have long been concerned about retirement security for older Americans and have issued special reports and publications and testified before this Committee before. All our research predated the COVID–19 pandemic, and that certainly, as you point out, Senator Collins, has complicated this situation and the landscape considerably, both from a health care perspective of either directly or potentially indirectly affecting the health of our senior citizens as well as economically.

We noted that during the last Great Recession we had that when seniors in the workforce lost their jobs it took them much longer to come back into the workforce than other people. This can have a dramatic effect on their retirement savings, cause them to potentially pull some of their retirement savings out to help them meet necessary expenses, so it is very important.

Now women in particular, as has been pointed out this morning, have unique challenges. They have longer lifespans, as you pointed out, lower lifetime earnings, and they are more likely to be primary caregivers. Our analysis of the Survey of Consumer Finances showed, in terms of the confidence, that households where older women were present had a mixed view. Only 42 percent had high confidence in their retirement security, 33 percent medium, and 25 percent low confidence in their retirement security, moving forward.

Now while that is an overall statistic it varied greatly by race, by retirement plan that they were in participation, by home ownership, by marital status, by education, and whether they were in a rural area or in an urban area.

To learn more about this we had the focus groups that you mentioned, Senator Collins. We had 14 focus groups in 9 different areas across the United States, 190 women in total, and they were very rich discussions. What came out of that discussion was, you know, some of the things that were supported by our analysis, in that women who had higher liquidity—in other words, more checking and savings and investments, stocks and bonds—had a much higher degree of security, retirement security, than those that did not, and that the amount of wealth that people had was a higher predictor of their confidence level in retirement, more so than race, marital status, and all these other factors.

We also found, in all the focus groups, the most talked-about issue was social security and Medicare. Women were concerned that they were going to lose their benefits in this area. They were confused about some of the implications of and the provisions in these programs, for example, when to apply for social security and the age at which you apply matters and affects your annuity forever, and also early application of Medicare, for example, and what that might foretell if you did not sign up within the timeframes for

Part D and the prescription drug coverage, and that if you joined later there was a higher cost associated with it.

Social Security and Medicare dominated the discussions and are really key factors. In fact, the future benefits, expected benefits, for social security are going to be the highest asset for 40 percent of the women 70 years or older. It is essential and it becomes more important as they age, because they spend all their other investment money and others earlier so they are left in their later stages of life, in the 80's in particular, with social security being the predominant amount.

We heard a lot about the fact that these women would have wanted more financial education earlier in their lifespans, and that they would have done many things differently and had advice for other women to make sure they save, they invest, they manage their debt properly and they understand these programs and get more education.

Health care was another dominant topic, particularly prescription drugs and the fact that of the 161 women who answered our question about their confidence in health care, Medicare, only 28 percent were confident that Medicare covers their costs right now. They were concerned about not having adequate coverage in that area, and then also housing, as you pointed out, Chairman Collins, is a big issue. A lot of people own homes, the women that we talked with, but they were concerned not just with the mortgage but property taxes, maintenance costs, and other factors that they felt that were straining their ability to do it, so because of all these factors, a lot of these women felt very insecure about the future and uncertain about it. I am sure that that has been exacerbated by the pandemic that we are experiencing right now as well.

We have a short video where you can hear directly from some of these women about their experiences, and then I would be happy to answer questions.

The CHAIRMAN. Thank you very much.

[Video plays.] [Video may be viewed on the Senate Aging website.]

The CHAIRMAN. Thank you very much for that video. I really appreciated the fact that you made such an attempt to go out across the country and get information from women first-hand. There were several important themes that came out in the presentations that we just had. We had thought of having a panel of women, and this gave us the panel that we needed in this COVID environment, so thank you for that as well.

Just as a reminder, I will be recognizing members to ask questions in order of seniority, and we will alternate between the majority and the minority. If a Senator is not present or logged in to WebEx when it is his or her turn to ask questions they will be placed at the end of the queue, and Senators will be given 5 minutes each on this first round.

After I do my questions we will go to Bob Casey and then Tim Scott, who is logged in online is going to be the next person, and then Richard Blumenthal. I just want to give members some idea here of how we will be proceeding.

I was very interested to hear several of the women talk about the need for more financial education. One of them said that if she had better understood the matching part for 401(k) plans that she would have contributed more money. How often did you find the lack of financial education to be an issue as you talked to these 190 women?

Mr. DODARO. [Inaudible, off microphone].

The CHAIRMAN. [Ms. Nguyen introducing herself] [microphone was off] Thank you, and if you would introduce yourself again and make sure that your mic is on. Thank you.

Ms. NGUYEN. Good morning, Chairwoman Collins. In response to your question we found that in all 14 focus groups, women in the 14 focus groups—we found that women in all 14 focus groups raised concern about financial—lack of financial education. Specifically, they raised concerns that knowing to ask the right questions can be very difficult, as well as finding the right trustworthy financial advisor was also a challenge.

The other issue that is associated with financial literacy, that they raised, is also cognitive decline, challenges such as Alzheimer or Dementia, and these conditions can make it difficult for older workers, older Americans, to be more vulnerable to financial exploitation.

The CHAIRMAN. Thank you. I will share a very poor financial decision that I made early on, and that is after working on Capitol Hill for more than 10 years, so I clearly would have been vested, I took all of my money out of the account in order to buy a car. I would have been so much better off just taking a car loan rather than withdrawing all that money, which would have applied toward my retirement security. I keep thinking that if just one person had said to me, "You know, that is not a smart decision, and it is one that will affect the amount of your ultimate pension," I would have made a different choice.

We are now encouraging automatic enrollment in 401(k) plans. Mr. Comptroller General, do you think that that will help women, and men for that matter, be more secure than if they are just presented with a package of information about the 401(k) plan that their employer offers?

Mr. DODARO. Yes, I do. I believe auto-enrollment is a very important component of getting people started into the process, and our research supports that and I highly recommend it.

The CHAIRMAN. Another issue that you referred to briefly in your opening statement had to do with the age at which a senior decides to claim social security benefits. We held a hearing on this, and it makes a huge difference in your amount of benefit if you are able to wait until a later time, age 70, to claim the benefit. Could you elaborate on that? Obviously, some people that is not a practical option for, but if you are able to wait to claim your benefit at age 70, what kind of impact does it have on your benefit level?

Mr. DODARO. One of my colleagues has the number. I do not know off the top of my head but it is a big difference between taking it, you know, at 65 or even earlier, and to waiting to 70. I mean, it is a significant increase. I will provide that for the record.

The CHAIRMAN. Thank you. Senator Casey.

Senator CASEY. Thank you, Chairman Collins. I wanted to start with a question about unpaid time out of the workforce, and I would start by noting that we know that the pandemic has made it more clear than ever, probably, that workers need to have paid sick leave as well as paid family and medical leave. They should not have to choose between caring and paying, caring for themselves or loved ones and paying their bills, and so many are forced into that terrible choice.

The burden of caregiving, as I mentioned earlier, falls disproportionately on women, and that reality, I think, is probably more apparent in the midst of this pandemic than otherwise. We know that Congress acted, to a certain extent, in this area when Congress, earlier this year passed legislation that included emergency COVID–19 paid leave. Too many workers were not able to take advantage of it and it will expire at the end of the year.

I have joined my colleagues, including colleagues like Senator Gillibrand, in pushing to expand that emergency leave and create permanent paid leave by passing legislation like the bill entitled Providing Americans Insured Days of Paid Leave Act, by the acronym PAID Leave Act.

I would ask Comptroller Dodaro, in light of this if you could provide more detail on how unpaid time out of the workforce can reduce women's income and retirement and why this issue is so relevant to women in particular.

Mr. DODARO. It is a very important issue, especially to women, who are more likely to be a caregiver. You know, of the 190 people we spoke to, 38 of them had been caregivers for a median time of about 10 years. When you are out of the workforce you are then, you know, not only affecting your wages that then provide the basis for your social security benefits but you are also not able to contribute to a retirement plan, you are not able to, you know, basically, you know, continue to have your benefits while you are in the workforce for health care and other matters, it has a tremendous effect, plus what we found for caregivers was that they also had out-of-pocket costs that they had to put out in order to help provide that care. It has a tremendous effect, and since women are more likely to be caregivers than men, any time out of the workforce is a problem for them in saving for retirement.

Senator CASEY. Thank you. I wanted to move to a second question on social security and the importance of it. We know that it is the bedrock of our retirement system, and as I said earlier, we should strengthen social security benefits. I have got a bill that goes by yet another acronym, the SWIFT Act, and this bill, in particular, would enable widows and widows with disabilities to receive higher social security benefits. The bill would also ensure that recently widowed individuals receive better information on the benefits available to them and how their claiming decisions, which can be very perilous, these claiming decisions can permanently affect their retirement income, as we have talked about.

I would ask Comptroller Dodaro, what does research say about the importance of social security benefits to widows, and did you find, in the interviews that GAO conducted, that these women who were interviewed had concerns about how best to claim social security benefits?

Mr. DODARO. Yes. Social security is essential for women, particularly those that are widowed, especially in the later part of their lifespan. Now we looked at, you know, women when they were 65, and basically I think about 58 percent were unmarried at that time. By the time they were in their 80's that jumped to over 70 percent of them were unmarried at that time.

The research also shows that currently, for women 70 or older in households, that the amount of social security future benefits, the present value of those future benefits accounts for the most significant part of wealth for over 40 percent of households with women 70 or older, so it is essential.

Also what we found through the research is that women will spend down their savings and their investments first, their homes second, and then they will be left, later in life, with their social security benefits as the primary source. The longer they live the more important social security is. For many women it is important right now, or as soon as they retire, but the longer they live the more important it becomes.

Senator CASEY. Thank you. Thank you, Chairman Collins.

The CHAIRMAN. Thank you, Senator Casey. Senator Scott had to leave for another meeting so we will next turn to Senator Braun. Thank you for being with us today.

Senator BRAUN. Thank you, Madam Chair. I always like it when you are here to testify because you have got the best command of facts and figures I think of anybody I have met in the U.S. Government. We have so many places where we need to call upon that. I remember when we were discussing the number of improper payments, and I will never forget that statistic that it was close to, I think, 3 percent of all checks that we write here either are to the wrong payee or for the wrong amount. I kind of knew that before I got here. I have been here nearly 2 years now, and that is the kind of stuff I think the American public needs to hear more of.

When it comes to planning for retirement, I think I have got a strong kind of feeling on the fact that the institution, social security in general, which drives so much of our structural budget deficit, because no longer is that trust fund being built. In fact, we are depleting it. I think, you know, here, in a little over a decade, what we are going to do to it what we have done to the Medicare trust fund. Medicare trust fund is now due to be completely exhausted in a little over 5 years. I think that is another thing that the American public needs to realize, because so many people count on both of them, and they just assume that they will be there.

When it comes to the topic here, I think that the only way that you hedge your bets when it comes to anyone's retirement is that you have got to increasingly look to maybe not rely on something that looks to me like we will get up to the cliff. We will come to a crisis before we do anything about it.

I think, in general, as it relates to women's retirement, anyone, because we are all in this together, in terms of how it might impact us, what do you think is the first issue that is going to come to the forefront? Do you think it will be the Medicare trust fund becoming the issue or the Social Security trust fund? Then what, in your opinion, are our options once we are there at the crisis and looking over the cliff?

Mr. DODARO. The first issue that will face the Congress will be the multiemployer pension system. That is expected to be insolvent by 2026. Now what that will happen—and I will get to Medicare and Social Security in just a second, but I do not want to miss the multiemployer portion—what that means is because the multiemployer plans do not take the assets over, that they would only be able to pay someone an annuity if their company goes bankrupt, and during this economic turmoil right now they will only be able to pay people $2,000 a year, on average, which is hardly adequate for a month pension, let alone a yearly pension, so the multiemployer part of the Pension Benefit Guarantee Corporation is urgent.

That is closely followed by the Medicare Hospital Trust Fund. Before the pandemic it was estimated by the trustees that by 2026, as you mentioned, Senator Braun, right around the corner, that that fund would only have 89 cents on the dollar to pay, so they would not be able to fully pay benefits. CBO more recently made estimates that because of the economic downturn, payroll taxes are not going into those funds, either Medicare or social security, at the same rate they were anticipated, so that date will be advanced. How much? CBO is estimating now around 2024, so that would move up at least 2 years.

Those dates are going to move up faster because of our economic downturn. The longer we are in the downturn and the lower economic growth, the lower the payroll taxes will be to these funds, so they will come closer, not go further away.

Social Security, before the pandemic, was estimated by 2034 they would only have enough funds to pay for 77 percent of benefits, so that would be like a 23 percent cut. You have heard me talk about how important that is for women in particular, but for a lot of retirees. I know, you know, Congress will not let these things happen because of the catastrophic effect it would have on elderly people, but it is going to require either increased revenues or changes in benefits.

The sooner we do these things, the better. It will allow people to adjust over time, because people under the situation now for retirement have more of a burden themselves to be able to save money. They assume certain things are going to be there but there are big decisions awaiting the Congress to deal with these fundamental pillars of retirement security in America.

Senator BRAUN. Thank you. It is also interesting to me that this has not snuck up on us. Actuarially, we have known this for a long time, way before COVID came along and has accentuated it. Maybe Senator Collins and I can galvanize the political will we need around this place to do something about it. Thank you.

The CHAIRMAN. Thank you very much, Senator. You always add a lot to our hearings.

Comptroller General, I want to switch topics to another issue that this Committee has devoted a great deal of attention to that can hurt the retirement security of women as well as men, and that is senior scams and fraud.

Over the past 7 years this Committee has held 25 different hearings examining scams that are targeting our Nation's seniors, and these scams not only exact an emotional toll on the victims and their families but they also threaten their retirement security.

We have heard from seniors in Maine and across the country who have lost their hard-earned savings to a scam. We have a toll-free fraud hotline that people can call and we will try to assist them. We issue a fraud book every year to try to alert seniors to the most frequent kinds of frauds and scams.

What we have found is these con artists, these outright criminals are infinitely creative in the kinds of scams that they come up with. An example is Philip Hatch from Portland, Maine, who testified before this Committee about losing $8,000 of his retirement savings to a scammer who was impersonating an IRS agent. The most frequent scam that we are hearing about now involves social security, and that has been the No. 1 scam that we are seeing right now, where a senior will be tricked into giving out his or her social security number, and, of course, that is often the keys to the kingdom.

Comptroller General, does GAO have any recommendations for additional steps that the Federal Government can take to prevent seniors from losing their hard-earned retirement savings to these ruthless criminals?

Mr. DODARO. Yes. There is some legislation that is working its way through the Congress that I think would be very helpful, the Stopping Senior Scams Act. I think it was co-sponsored by Senator Casey. It has passed the Senate unanimously. Hopefully there is a bill being introduced in the House, a companion bill. I think that legislation would be very helpful. It would set up an advisory committee made up of the key Federal entities that are involved in this effort. It would ensure better coordination across the Federal Government, which I think is essential.

We find that typically that is one of—the most pressing problems now across government and the most complex involve multiple agencies to work together to deal with this, and we are—the government is not all that great all the time at having that kind of cooperation and coordination. This would help in that area.

There is also a piece of legislation that has been introduced about preventing emergency scams involving seniors during the pandemic, which I think would be good.

What I have seen over my career, which is quite lengthy, as you mentioned, is that when there is a natural disaster, when there is an emergency, that during the pandemic people have high anxiety. They are concerned. They are very vulnerable. This is when these people ramp up their activities to try to take advantage of this.

You know, before I took my job as Comptroller General, I had a much higher opinion of human nature than I do now. They seem to be ever-creative, ever, you know, evolving their sceems to prey, and the elderly are among the most vulnerable people in this area.

We have also had some recommendations to the Justice Department. They have a number of activities underway to improve their efforts, to set better goals that could be measured, to assess how well they are doing in helping states, where they provide grants to areas as well. I think that those type of things are essential. We are also doing work, at your request now, looking at HHS and their collection, whether they are collecting enough information about what is going on to be able to better target the Federal Government's efforts, and the full extent of elder exploitation, financial exploitation.

I do not want to take—miss this opportunity to also commend the Committee for your efforts in this area. I think the hotline, the fraud book that you put out is essential and very, very thoughtfully approached and helpful.

The CHAIRMAN. Thank you. I want to followup by highlighting two new scams that are directly related to the COVID–19 pandemic, because as you have just pointed out, these criminals will take advantage of any tragedy, any new development, any chaos that occurs, any problems that are facing our country.

One being, is seniors are being called and told that they have to pay up front for a COVID test, when, in fact, those tests the cost of which we have appropriated billions of dollars, are in the vast majority of cases completely free. Second, they have been told that they have to pay now for a vaccine that is not even on the market yet, but in order to ensure that they will get the vaccine. Third, there are criminals who are exploiting the sympathies that seniors have for families that are struck by COVID–19 and are economically struggling, and trying to get them to contribute to a fund that will help a family, when, in fact, it is never going to that family. It is just lining the pockets of these criminals.

I am very glad you mentioned the Justice Department efforts. I will take credit for causing them to name an elder abuse attorney in every U.S. Attorney's Office in the United States. When my former colleague, Jeff Sessions, was named Attorney General this was an issue that I talked to him about and urged him to pursue, and he did indeed do just that. Now we have a focal point in the U.S. Attorney's Office so that no longer are what, in the eyes of law enforcement, maybe viewed as small-dollar frauds but are devastating to the senior who is ripped off, ignored. They now are being pursued in U.S. Attorney's Offices all across the country, and I think that is big progress.

I am going to ask one more question before yielding to—well, I see that we have been joined by Senator Rosen, so let me yield to her. Senator Rosen.

Senator ROSEN. Thank you, Madam Chair, and of course the Ranking Member as well for bringing this important hearing here today. I would just like to thank you for the report and everything that you have been doing.

I would like to focus a little bit on women in STEM. Prior GAO reports found that women are overrepresented in low-wage professions. They make less money than their male counterparts throughout their careers. They are more likely to leave the workforce to care for family members. Taken together these trends really have significant effects on women's financial security and retirement. According to the U.S. Department of Commerce, Economics, and Statistics Administration, workers in STEM fields—of course, science, technology, engineering, and math—earn more than their non-STEM counterparts, and the gender pay gap actually shrinks for women in these careers.

Unfortunately, as a former computer programmer, I can attest that despite making up half the U.S. workforce, women still only hold a quarter of these jobs. That is one of the reasons why I introduced a bipartisan bill called the STEM RESTART Act, which would provide funding for small and medium-sized businesses to help women and others who left the workforce or to transition to the STEM workforce. This is also great not just for women, for people of color, those individuals in rural communities to restart their career for more lucrative fields.

How else do you think we could diversify the economy to include more women to STEM careers, and that have a positive effect going forward on women's ability to save for retirement?

Mr. DODARO. I think one of the things that could be done is to better focus on the effectiveness of the Federal Government's efforts to expand STEM education and training and job opportunities. We have identified well over 100 Federal programs and activities, and the last time we reviewed this two-thirds of them had never been reviewed to determine whether they are effective or not.

I think the Federal Government is making a lot of investments in this area but we are not sure we are getting a proper return on our investment, and that some of these programs are even too small to measure. We could have a better strategy.

I think having a better strategy, having a better targeting of the Federal Government's activities, but also having important measurement of whether they are successfully achieving their objectives or not is essential to make sure they are producing the right outcomes. As you mentioned, Senator Rosen, I mean, the outcome is we want more women to be in the STEM fields. We are spending a lot of money and have a lot of programs in order to achieve that objective in various aspects of the economy, but we do not know whether that investment is paying dividends that we would like it to have.

More evaluation of these programs and activities. Then you can better target, you can have better strategies that will produce better outcomes, so that would be my main message here in this particular area. It is not for lack of trying, that the fedeal governement has but I'm not sure it is as effective.

Senator ROSEN. I think we need to size our programs a little better—but we will try to do that in the future

Mr. DODARO. Yes.

Senator ROSEN [continuing]. Moving on I also want to talk about the cost of caregiving, because I did leave my career at one point to take care of my parents and my in-laws, as they got older and sicker. I took them to doctor appointments, coordinated care, all those things that caregivers do. My mother-in-law had Alzheimer's toward the end of her life, spent time in the memory care unit, and every day I hear similar stories, not just from Nevadans but people across the country. People saved for their retirement but then they have to—when they were working they had to leave work in order to care for family members, and that was nearly devastating to them. They dipped into their retirement funds.

We know that women oftentimes are those caregivers for their immediate family and oftentimes their extended families. Do you have an opinion about what we should do to reflect the value of caregiving perhaps in social security or retirement savings plans that might help those of us who were caregivers who stepped away from our jobs and are not paying in to social security during that particular time?

Mr. DODARO. Yes. Yes. I think, you know, one suggestion with that is that there be allowed to be better catch-up opportunities for when caregivers come back into the workforce, enhancing their abilities to be able to make greater contributions to tax-deferred accounts. This occurs in the Federal Government, Thrift Savings Plan for people over 55, you can contribute, you know, more money. I think that would be helpful.

As it relates to social security, you could increase the minimum social security benefit which would help over time. You could also give social security credits for caregiving during the period of time. There is also some opportunities for out-of-pocket costs that caregivers have, to give some tax credits and some tax relief in those areas as well.

Those are among the suggestions that we have in that area, but it is definitely something that could be rectified by taking some of these actions that I suggest.

Senator ROSEN. Thank you very much. I appreciate your time and your suggestions. I yield back.

The CHAIRMAN. Thank you, Senator Rosen. Senator Hawley, welcome?

Senator HAWLEY. Thank you. Thank you, Madam Chair. Thank you for hosting this important hearing today, for scheduling it, and thanks also to the Ranking Member.

It is undeniably true that older Americans, and older women in particular, were facing significant retirement challenges prior to COVID–19, and those trends have only been made worse by the pandemic.

I have to say, as someone who comes from a State that is largely rural, or at least has many large rural areas, rural areas have been particularly hard-hit by the ongoing financial insecurity driven by lack of jobs, rising health care costs, of course the pandemic, and you have alluded to this, Mr. Dodaro, in your written testimony, so I look forward to asking you about some of that today.

You put all those things together and you really do the significant uncertainty, and it is no wonder that Americans, many older Americans, are worried about the future, which makes this hearing all the more important, so thank you again, Madam Chair, for hosting it, for holding it.

Mr. Dodaro, let me just ask you about some of the challenges facing rural communities in particular. You mentioned in your written testimony the significant disparities in asset ownership for rural female households versus urban female households, and you also mentioned—I thought this was interesting—in the focus groups that you did and the data that you collected in the report that rural women tended to bring up the cost of health care more often than their non-rural or urban counterparts.

Let me just give you a chance to comment on some of that. Can you just tell us a little bit more about some of those findings and these disparities between the concerns of urban female households and rural female households?

Mr. DODARO. Very good, Senator. I will address the financial equity issue and then I will ask one of my colleagues to talk about that, that participated in some of the focus groups, to talk about the health care objectives.

First, as it relates to financial disparities, what we found through our analysis is that in rural households women 70 or older households, their asset base only had about 14 percent financial assets, and these are liquid assets. Liquidity was a big factor driving retirement confidence. In urban households, it was 36 percent, so it is a big difference, well over twice as high in those areas.

This is Tamara Cross, who is in charge of this work and research and led the efforts on the focus groups, Senator.

Ms. CROSS. The research showed that, as the Comptroller General said, that there were significant differences between rural and urban, in that in rural households women 70 or older had relatively low liquidity, which is very important because if you have low liquidity you can end up being cash poor. We also found that incomes were lower in rural areas compared to urban.

For example, in rural areas the median household income was about $38,000. In the urban areas it was $55,000. Wealth was also lower. The median household wealth was $87,000 in rural areas. In urban areas it was $99,000. The median household wealth increased in rural areas by about 25 percent, and surprisingly it only increased 13 percent in the urban areas. That was one area where the rural areas were doing better than the urban areas.

The median household wealth increased only 3 percent in rural areas and 27 percent in urban areas. Then their incomes, the median household income increased about 2 percent in rural areas and about 10 percent in urban areas. You can see that the rural areas, you know, are greatly affected by the differences between rural and urban households.

Senator HAWLEY. Yes, that is very striking. Thank you for that. I mean, just to recap, lower incomes in rural areas, lower wealth in rural areas, leading to lower liquidity and less cash in rural areas. Pretty significant disparities here that you are talking—14 percent, you said, of female households in rural areas have liquid assets compared to 36 percent in urban areas. That is very significant. That is double.

Mr. DODARO. I think the health care issue that you mentioned is driven by a number of factors. We have done a lot of work at GAO, too, about the closures of hospitals in rural areas, and I think that that may be a factor. Now people did not say that specifically but I am putting two and two together, and I think that is an issue. Then a lot of women in the rural areas are also uncertain about their family structure kind of issues and changes that might occur there if they were left in, you know, an unmarried status, for example, or if they had to take care of a child or whatever. That came up more in the focus groups, from what I understand, as well.

Senator HAWLEY. Very good. Well, I see that my time has expired but thank you for your testimony today. Ms. Cross, thank you for being here. Thank you for your work. I will give you some more questions for the record. I would like to learn more about what you have found here. I think these are very, very important findings, so thank you for your work. Thank you, Madam Chair.

Mr. DODARO. I would be happy to respond, Senator.

The CHAIRMAN. Thank you, Senator. Senator Casey.

Senator CASEY. Madam Chair, thanks. I wanted to raise another issue which we have all referred to in one way or another and that is a basic issue that jumps out at us every day, but it does not receive enough attention, frankly—pay inequality.

We know that that gap in pay undermines the ability of women to save for retirement. We also know—and I do not think any of us have mentioned this number yet—but women working full-time, year-round, receive only 82 percent of what men make. The gap between what women of color receive and what white men receive is, of course, even larger.

One of the proposals to close the gap is a piece of legislation that is Senate Bill 270, the Paycheck Fairness Act, to ensure that women receive equal pay for equal work. That is one step we can all take to promote basic fairness and to reduce that gap.

I was noting in your written testimony and in the report itself, Mr. Comptroller General, you include an example of how differences in men's and women's earnings can result in women being paid less to save for retirement. If you could speak further about the gap between the earnings and how that gap can compound over a full career and thereby undermine a woman's ability to prepare for retirement, or to save for retirement.

Mr. DODARO. Yes, I would be happy to. Based on our analysis of the current population survey information, the average pay for women in 2019 was $45,000 a year. Men was $55,000 a year. You have a fundamental difference. A large part of this is reflected in the fact that women are more represented in lower-paying occupations than men, but then there is the issue of equity, the equal pay for equal work issue that you brought up, which is also a factor.

Now what we did was we simulated, over a career, if you took man and woman who were both working full-time over a 44-year career, assuming each put in 6 percent of their earnings into a savings retirement plan and earned 5 percent interest on that over the life of their careers, that at the end of the day the man would have $476,000 and the woman would have $395,000, so it affects long-term over that period of time.

For people that were not working full-time, if you just looked at men and women over their careers, we did the same simulation, and that would show that the man would earn $343,000 and the woman $216,000. It has tremendous effects, just like compound interest has effect over time. If women do not have enough to put in, they do not have the benefit of compound interest to help them accumulate lifetime savings, so it makes a big difference, not only in the current situation, contemporary, but also longer term as it affects accumulating retirement savings.

Senator CASEY. In that first example, give me the numbers again.

Mr. DODARO. In the first example, if you had a man and a woman that had a 44-year career——

Senator CASEY. Right.

Mr. DODARO [continuing]. they each put in 6 percent of their wages in a retirement plan and earned 5 percent, the man, at the end of that time, would have $476,000, and the woman would have $395,000.

Senator CASEY. Yep.

Mr. DODARO. There is a big gap in there, and that all starts—emanates from the pay disparity issue. It has compounding effect over time.

Senator CASEY. Thanks very much. Thanks, Madam Chair.

The CHAIRMAN. Thank you, Senator Casey, and thank you, Comptroller General. I just want to touch briefly on two more issues. We have talked a lot this morning about the fact that women are much more likely to take time out from their careers to either raise children, take care of an elderly parent or a sick spouse, and Senator Rosen mentioned her own experience in that regard.

There is another group of people who often lose out on retirement benefits and that is military spouses, because they move so frequently they often never are able to invest in an employer's retirement plan. This summer I introduced a bipartisan bill that would encourage small employers to provide the spouses of active duty servicemembers with accelerated eligibility for retirement plans and ownership of employer contributions to those plans. That aims to address the reality that military spouses often have to move every year or two, and they are never able to fully vest in their employer-sponsored retirement plans, so they lose the money that has been put aside. We would incentivize, through tax credits, small employers to accelerate the eligibility for military spouses.

Based on GAO's recent report on women's retirement security, how does having a retirement plan to supplement social security affect retirement security? How big a factor is it? I know in my State the average social security recipient is receiving only $16,000 a year.

Mr. DODARO. It has a huge effect. What we have found, of the women who have low confidence in their ability to have retirement security, 46 percent had no retirement plan at all. For those people who had a defined benefit and defined contributions or an IRA, some women had all three, through the course of their career. Of those women who had retirement plans, 61 percent had high confidence. Without a plan, 46 percent low confidence; high confidence, 61 percent, or with a plan 61 percent high confidence. It makes a huge difference. It is a stark difference, Senator, and I applaud you for taking on the issue of military spouses. Our military makes a lot of sacrifices, and their families, and I think recognizing that with some effort.

We have also pointed out for people who change their jobs frequently sometimes they leave their contributions in the retirement savings and do not roll them over into their new retirement plan. We have made some recommendations on that area as well. That is part of financial literacy and education as well, but a lot of people left. We found, I think it was several—about 16 million accounts, that was $8.5 billion that people left in their retirement savings, that could have been rolled over to their new accounts.

Helping the military in that fashion, I think, is a noble goal.

The CHAIRMAN. Thank you. Well, that 61 percent versus 46 percent is an extraordinary figure to guide our work as well. I am glad that you ended on the issue of financial literacy, because that is a theme that I noticed was repeated in your report, and also the importance of starting financial education at an early age. It really is not very helpful if we learn, when we are in our 50's or 60's, what we should have done back then.

The Maine Credit Union League has created Financial Fitness Fairs to help students learn about budgeting, saving, and other aspects of financial literacy. Since the program's inception in 2004, more than 65,000 Maine students have participated, and I think they will make far better choices and decisions than I did when I was leaving the congressional staff and unwisely withdrew my retirement savings.

Past GAO reports have noted the importance of partnerships among Federal, State, local, nonprofit, and private organization providing financial literacy. Based on your previous work and the findings from the latest report, does GAO have any recommendations on how we can better coordinate Federal and private efforts, or State efforts, or high school efforts even, to expand financial education and target individuals when they are younger and can avoid making those mistakes, such as not rolling over their retirement savings?

Mr. DODARO. Yes. I think it is very important to have these partnership efforts. There is a bill that Senator Jones has introduced to deal with youth that would give grants to people to do things. Part of the complication here is the Federal Government does not have a strong role in curriculum-setting at the State and local level, which is their purview and their prerogative. The Federal Government can give grants and other means to try to stimulate having greater education efforts at that local level, and that proposed legislation would help in that vein.

The other thing that could be done is that the Federal agencies could work with the private sector and the states through employers to provide employer-based education. A few years ago I had a forum where I invited experts in financial literacy to talk about this issue, and they said the powerful impact of employers could have, and, of course, people start working at young ages to, that it could have this effect.

Based on that I started a program at GAO in 2012 to provide financial education for our people. Now we have—75 percent or more of our people have advanced degrees, but they still, you know, face challenges in navigating some of life's biggest decisions, on purchasing a home, saving for college education, dealing with life insurance, health insurance issues, how to take advantage of your retirement systems and approach that you have. I think that is a very important issue.

Also, we have recommendations in the women's area, and this could be worked at the Federal and State level as well, on the Qualified Domestic Relations Orders. This is where there is a divorce and there is a division of assets. What our research found, Senator, is that very few people were aware of these Qualified Domestic Relations Orders, do not use them, which provides a court judgment order or degree that better protects the spouses in that particular time. Usually it is the woman who would be, you know, protected in this particular case. We recommended that the Department of Labor provide more information out there, and this could be done, you know, earlier in people's lifespans as well, because people marry early and things, but I think getting education in the school system is important, but the Federal Government could be a catalyst that can't, you know, provide any dictas to the State and local level. I know the State and local level, based on some of the conversations I had, there are efforts underway, through some of their organizations, to have curriculum to increase financial literacy.

Many years ago, when I joined GAO, and I was not sure whether I wanted to stay long term, I had an idea on developing a financial literacy course that I would teach as a teacher in high school. My father is a teacher, my mother and sister are teachers, so I was following on that path. That was, you know, 48 years ago, and it is still a really important issue. In fact, it has become more complicated because people have to make more of their own decisions, for retirement and the financial implications of the situation. The Federal Government can do a lot as leveraging their reach and their ability to do it.

There is also the Financial Literacy and Education Commission that we have done work on. This is led by Treasury and vice-chaired by the Consumer Financial Product organization. We have made recommendations there for better coordination, and they could become a catalyst in also working with the State and local levels and nonprofits and others to get more information.

Finally I would mention there is the Women's Retirement Security Act that has been introduced. That would give grants to nonprofits that would have outreach to women to provide financial literacy education, counseling, advice and counsel to a wide range of women. That way, I think that is intended mostly to deal with adult, or women who are older in their career.

I think, you know, we all learn from our grandparents and our parents, and if they can also impart on their own children the importance of education, so the more we can educate everybody, no matter where they are in their lifespan, the better off we are going to be, but educating the older women would have great advice. They have great sway over their grandchildren and children, and imparting to them the importance of getting it to. You get it from the schools but getting it from your own parents and your family unit I think would be helpful as well.

The CHAIRMAN. Thank you. Senator Sinema.

Senator SINEMA. Thank you. Thank you to our Chair and our Ranking Member for this important hearing on the challenges facing women in retirement, and thank you to our Comptroller Dodaro for testifying today on the 2020 GAO report on retirement security, which included the perspective of everyday women across the country.

Women, in particular, face unique challenges in preparing for retirement, including lower career earnings due to unequal pay and the expectation that they will shoulder most of the responsibilities in raising a family and caregiving. We have seen this throughout the pandemic, where many women in Arizona are balancing working from home, helping their children with distance learning, and for older women, supporting their grandchildren as well.

The economic effects of the pandemic will also have long-term impacts on retirement security, in particular, how to recover from the impact of lost earnings, unemployment, and reduced savings.

In Arizona we have also seen an increase in coronavirus-related scams targeting seniors. Criminal fraudsters are seeking to take advantage of the public health emergency by peddling dangerous, unproven cures, or even trying to steal people's unemployment benefits or stimulus checks.

My question for you is that the GAO report notes that when seeking professional financial advice women in 10 focus groups had negative experiences, which they said include receiving poor advice, paying high fees, or becoming a victim of fraud. That is why we introduced the Senior Security Act, which builds a task force at the SEC to protect seniors from financial investment scams. We also promoted the National Senior Fraud Awareness Day to help educate seniors on coronavirus scams and protect their savings and investments. Can you talk about how having financial assets, including investments, contributes to retirement confidence?

Mr. DODARO. Well, the financial investments is a key driver in confidence level for women. In fact, it was the most important driver that we saw. This was particularly true for liquid assets. Liquidity is a big issue, and by liquidity we mean checking accounts, savings accounts, stocks, bonds, and other investments that they had. Women with higher liquidity had a much, much higher confidence in their ability to provide a secure retirement for themselves, so it was a huge factor, Senator Sinema.

Senator SINEMA. Well, thank you. I very much appreciate that and I appreciate the work you have done on this report.

Chairman Collins and Ranking Member Casey, before I yield back my time I want to address something that occurred late last night. My team received information last night that the Committee had changed its requirements for verifying Senators' attendance in our Committee, and I was concerned about this because it appears to allege that Senators lack integrity or lacked fairness or the willingness to be honest about their participation in the Committee.

My question is, has there been an instance in which Senators have lied about their attendance in this Committee or was this change made as a prospective concern with the expectation that some Senators would lie about their attendance or participation in this Committee?

The CHAIRMAN. Senator Sinema, I apologize if you were given that impression. We are adapting to a new era where we have some Senators showing up physically in the hearing room, as we did today, others joining us remotely. What we are trying to ensure is that as attendance is kept at these hearings, and as you know I always go out of my way to acknowledge every single Senator who participates, and I am grateful for their participation, this becomes more difficult to do when I look at the television screen and the initials do not match the Senators' initials.

If that Senator does not come on either verbally, as you have today, or as most Senators do both with audio and video, I cannot tell whether that is a staffer just tuning in to monitor the hearing or whether a Senator is waiting to make comments.

I would be happy to talk with you further about that, and I certainly apologize if you took, as you obviously did, offense at it, because I have a great deal of respect for you and for each and every member of this Committee. It was simply an attempt to make sure that we know, particularly when someone such as you did today, chooses not to turn on their video, and we see initials that may not match the Senators, we do not have any idea whether it is a Senator who is participating.

Let me give you a great example. Doug Jones—and I was going to acknowledge him—was on earlier, but it was his staff's initials that were showing, so we knew that he planned to speak today. He then got called away, so I was able—I am able to acknowledge that he was present. If the Senator is neither speaking nor showing us any video, and the initials do not match that of the Senators, I have no way of knowing whether or not the Senator is present, either remotely—when they are joining us remotely.

I would be happy to work with you, if you have got a better suggestion for how to do that. I go out of my way to try to be fair to both sides and to acknowledge the presence of everyone who is here. For example, Senator Blumenthal was here earlier and had to leave. He was here in person. Tim Scott was online, because he wanted to hear the Comptroller General's statement, but then had to leave.

I am going out of my way to acknowledge everyone, so I am very surprised at your reaction and harsh criticism, suggesting that somehow I am trying to not acknowledge Senators. In fact, the opposite is the case.

Senator SINEMA. I appreciate that explanation, Chairman. My concern is the idea that there would not be an acknowledgement when a Senator says, "I am here. I am participating in this Committee," and to not be believed about that, which is a concern.

The CHAIRMAN. That is not at all what was conveyed to you, and I would certainly go out of my way to acknowledge everyone. In fact, I was just about to say that I saw briefly that Kirsten Gillibrand, our Senator from New York State, did join us briefly. She was not able to stay. I want everyone to know that she did turn in for a time. I realize people have different schedules and busy schedules, and we are trying to accommodate everyone in this new world. Obviously, in the old world we lived in, this was very easy because everyone would be here, physically present. Some, such as yourself, have chosen not to be, but I realize that does not mean that you are not interested. It does not mean that you are not participating, and that is why I just called upon you.

Senator SINEMA. I appreciate that, Chairman. I would be willing and interested to followup with your staff to find a way where we can solve this issue, as many other Committees have, in a way that acknowledges the participation of everyone who is joining. There are some Senators——

The CHAIRMAN. With all due respect, I acknowledged your participation. I called on you. You have just had an exchange. Despite the fact that your video is not on, you are clearly paying attention and asked great questions, as you always do, and gave a statement that gave you additional time, so I really don't think there is an issue here.

Senator SINEMA. Well, we can followup.

The CHAIRMAN. I am happy to talk with you further.

Senator SINEMA. Thank you.

The CHAIRMAN. I am now going to, seeing no other Senators seeking to be recognized, I now am going to do my closing statement and then turn to Senator Casey for his closing statement.

First, let me thank the Comptroller General for joining us and for the report, and most of all for getting out there and doing focus groups with 190 women across the country. Women face unique challenges in preparing for and maintaining a financially secure retirement, particularly in this era, where private sector defined benefit plans are increasingly rare, so more of the responsibility is falling on the individuals.

There are many steps that we have discussed today that can make a positive difference. First, to help increase retirement security we need to do more to tackle the skyrocketing costs of prescription drugs, and that is an area where our Committee has really led the way.

Second, we need to protect and strengthen social security, including finally fixing the unfair government pension offset and windfall elimination provisions.

Third, we need to look to increase retirement savings and access to employer-based retirement savings plans. We made some progress last year with the enactment of the SECURE Act, but more needs to be done, including passage of my bill to make it easier for military spouses to access employer-sponsored retirement plans.

Fourth, we need to continue to look for ways to support our family caregivers. This has been a priority of mine in the Senate, and I look forward to the release of the national strategy to support family caregivers.

Fifth, we have heard today repeatedly about the importance of financial education and making sure that people are planning at young ages for their retirement. There are other important actions we can take, including continuing this Committee's work to combat scams that target our Nation's seniors and increasing funding to provide low-income seniors with safe places to live independently.

I want to thank our Ranking Member, Senator Casey, and all the Committee members on both side of the aisle for their participation today. Senator Casey.

Senator CASEY. Thank you, Chairman Collins, for holding this hearing. Probably could not have a more important topic at this time in our Nation's history. I want to thank, as well, Comptroller Dodaro, for the testimony today and for his continuing exemplary public service.

As we heard from him today, by virtue of the report and the good work of his team, women face significant challenges in preparing for retirement, and these challenges leave them more vulnerable to falling into poverty and old age. As we know that the ongoing pandemic will exacerbate many of the issues we discussed today, I hope GAO will consider conducting a similar line of work through a COVID–19 lens in the near future.

We must work together to comprehensively address the shortcomings of our retirement system and ensure that all women are able to achieve financial security in retirement. In the short term, we should pass a comprehensive relief bill that helps working families and prevents additional permanent damage to their economic health.

In the meantime, and over time, I should say, this will take a while, but we should outline some broad goals. First, we should, as I indicated earlier and as I now many agree, strengthen and safeguard social security. Second, protect workers' hard-earned pensions. A point that Mr. Dodaro made about the multiemployer pension system is an important one. Third, we have to close the pay gap, and fourth, create permanent paid sick and paid family and medical leave.

I look forward, as I know many members do, to continuing to work with our colleagues in the Senate on these critical issues.

Thank you, Chairman Collins.

The CHAIRMAN. Thank you very much, Senator Casey. Committee members have until Friday, October 2nd, to submit any additional questions for the record. I again want to thank our witness, Ranking Member Casey, and all the Committee members who participated in today's hearing, whether they were here physically in the Committee room or joining us remotely.

Finally, let me thank our Committee staff on both sides of the aisle for their hard work, and also the GAO staff. I know that the Comptroller General would want me to acknowledge their hard work as well. As I said, I particularly appreciate the focus groups that they conducted throughout the country, involving some 190 women, so we could have the benefit of their perspective.

This concludes our hearing today. Thank you.

[Whereupon, at 11:08 a.m., the Committee was adjourned.]

APPENDIX

Prepared Witness Statements

United States Government Accountability Office

Testimony

Before the Special Committee on Aging, U.S. Senate

For Release on Delivery
Expected at 9:30 a.m. ET
Thursday, September 24, 2020

RETIREMENT SECURITY

Older Women Report Facing a Financially Uncertain Future

Statement of Gene L. Dodaro, Comptroller General of the United States

GAO-20-718T

Chairman Collins, Ranking Member Casey, and Members of the Committee:

I am pleased to be here today to discuss our work on the retirement security challenges of older women. During work on our July 2020 report, when we asked older women about the factors that influenced their financial security in their retirement years, the nation was not yet in the midst of the impact of the Coronavirus Disease-2019 (COVID-19) pandemic.[1] COVID-19 has resulted in catastrophic loss of life and substantial damage to the global economy, stability, and security. Worldwide, there were 27,738,000 reported cases and 900,000 reported deaths due to COVID-19 as of September 10, 2020; within the United States, there were 6,344,000 cumulative reported cases and over 177,000 reported deaths.[2] Early in the pandemic, state stay-at-home orders and federal recommendations to postpone nonessential medical procedures contributed to declines in hospital/facility stays and patient visits for non-COVID-related conditions or impairments.

The current economic downturn also will likely have adverse effects on the retirement security of future retirees. The overall U.S. unemployment rate more than doubled between February and August 2020, when it was 8.4 percent. Job loss by individuals close to retirement age, may lead to earlier retirement when it is difficult to find employment, which can lead to losses in retirement income. Our prior work on unemployment during the Great Recession found that unemployed older workers had difficulty getting re-employed and faced a longer median duration of

[1] See GAO, *Retirement Security: Older Women Report Facing a Financially Uncertain Future,* GAO-20-435 (Washington, D.C.: July 14, 2020).

[2] Beginning April 14, 2020, states could include probable as well as confirmed COVID-19 cases in their reports to the Centers for Disease Control and Prevention (CDC). Prior to that time, counts only included confirmed cases. According to CDC, the actual number of cases is unknown for a variety of reasons, including that people who have been infected may have not been tested or may have not sought medical care. National Center for Health Statistics (NCHS) provisional death counts include both confirmed and probable or presumed deaths. The counts reported are the total number of deaths received and coded as of the date of analysis and do not represent all deaths that occurred in that period. Provisional counts are incomplete because of the lag in time between when the death occurred and when the death certificate is completed, submitted to NCHS, and processed for reporting purposes. This delay is an average of 1–2 weeks and can range from 1–8 weeks or more, depending on the jurisdiction, age, and cause of death.

unemployment than they did before the recession began.[3] Workers who experience unemployment are likely not able to contribute to their retirement accounts, and may need to draw on those accounts to cover expenses.[4]

Older workers' retirement security may be particularly affected because they have less time before retirement to recover from any impact of a recession on savings, housing, and investments.[5] We are also in a low interest rate environment, and the Congressional Budget Office expects that to continue. With lower interest rates, it becomes more challenging to accumulate savings, especially for those close to retirement.

In 2017, we issued a special report on the nation's retirement system that incorporated insights from a panel of retirement experts on how to better promote a secure and adequate retirement with dignity for all.[6] The panel agreed on the need for a comprehensive evaluation of the nation's approach to financing retirement. We recommended that Congress consider establishing an independent commission to comprehensively examine the U.S. retirement system and make recommendations to clarify key policy goals for the system and improve how the nation promotes retirement security. Congress has not yet passed legislation regarding this matter.

My statement today summarizes our July 2020 report on women's retirement security and focuses on (1) women retirees' perspectives on their financial security and (2) the financial security of older women in retirement.[7] For this work, we held 14 focus groups on financial security in retirement with older women (generally over age 70) in nine locations

[3]See GAO, *Income Security: Older Adults and the 2007-2009 Recession,* GAO-12-76 (Washington, D.C.: Oct. 17, 2011) and GAO, *Unemployed Older Workers: Many Experience Challenges Regaining Employment and Face Reduced Retirement Security,* GAO-12-445 (Washington, D.C.: Apr. 25, 2012).

[4]The CARES Act waives the 10 percent additional tax for certain early withdrawals from eligible retirement accounts for amounts up to $100,000 taken between January 1, 2020, and December 31, 2020. See Pub. L. No. 116-136, § 2202(a), 134 Stat. 281, 340-42 (2020).

[5]See GAO-12-76.

[6]See GAO, *The Nation's Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security,* GAO-18-111SP (Washington, D.C.: Oct. 2017).

[7] See GAO-20-435.

throughout the country, and administered a written questionnaire. We talked to a total of 190 women. While our findings from focus groups are non-generalizable, they provide rich insights into the perspectives of older women. We also analyzed recent nationally representative data from the 2019 Current Population Survey, 2002- 2014 Health and Retirement Study longitudinal data, and 2016 Survey of Consumer Finances. Further details on the scope and methodology for our July 2020 report are available within the published product. The work on which this statement is based was conducted in accordance with generally accepted government auditing standards.

Background

According to our estimates from the 2019 Current Population Survey (CPS) of women 70 and older, approximately 19.7 million women in the United States are in that age range. Seventy-six percent of these women are white, 9 percent are African American, 5 percent are Asian, and 9 percent are Hispanic. About 14 percent of these women have no high school diploma, and 25 percent have a Bachelor's degree or higher. An estimated 11 percent of women age 70 and over are still in the workforce. Among those women age 70 and over who are still working, the three most common occupations in 2019 were (1) secretary or administrative assistant, (2) elementary or middle school teacher, and (3) retail sales supervisors and managers. Life expectancy for women who are age 65 has increased by about 6 years over the past century and women. A woman born in 2020 who reaches age 65 can expect to live to age 90.

According to the 2019 CPS, about 43 percent of women age 70 and over are married while about 57 percent are not married. Unmarried women may be at greater risk than married women of poverty in old age because they cannot pool resources with a spouse, including against the risks of job loss, illness, or disability, and therefore unmarried women may be more vulnerable to economic and financial shocks. In addition, women who never married are also unable to take advantage of some federal benefits and other protections that are conferred through marriage, including a Social Security spousal or survivor benefit that could be larger than the benefit based on her own work history. Because women, on average, have lower earnings than men during working-age years, women will, on average, be more dependent on spousal benefits for their retirement security than men will.

Older Women Perceived Their Retirement Security to be Influenced by an Unpredictable Future

Women in all 14 of our focus groups said they felt uncertainty or fear about meeting future expenses, suggesting a sense of fragility around retirement security.[8] Of the 179 women who responded to our written questionnaire about whether they expect their financial situation to change, 91 reported that they expected their situation to stay about the same, 50 reported that they expected it to deteriorate, and 15 reported that they expected their financial situation to improve.[9] Women in all our focus groups defined financial security in retirement as the ability to maintain their independence.

Some of the reasons women gave for feeling financially secure were that they had multiple sources of income, household savings and investments, home equity, money set aside for emergency expenses, or that they were debt free or frugal. The reasons women gave for feeling financially insecure were being unable to pay for essential expenses, were in debt, lacked savings, or had to work or rely on assistance for housing or food expenses to make ends meet.

Social Security income plays an important role in helping older women achieve their goals of maintaining their independence and covering their essential expenses, according to our focus group discussions. Focus group participants discussed their perspectives on government programs, including Social Security, more than any other topic. In 11 focus groups, women specifically expressed concern about losing their Social Security or Medicare benefits, and several women described Social Security as a financial resource that helps them to maintain their lifestyle in retirement. Table 1 shows the future concerns most frequently cited by participants, as they reported on our questionnaire.

[8]To ensure we incorporated a range of perspectives from older women living in different locations and communities, we conducted the 14 focus groups in all four Census regions: Northeast, South, Midwest, and West. To ensure we incorporated the perspectives of women in geographically distant or more isolated communities, in addition to urban areas, we also conducted groups in rural locations within each of the four regions. We composed groups of women of similar socioeconomic status to facilitate open discussion about personal finances, but also composed groups with the goal of racial diversity, age diversity above age 70, including single and married women, and those still working as well as retirees.

[9]These numbers do not add to 179 because 21 women responded that they did not know, and 2 responded that the question was not applicable.

Table 1: Top Five Future Concerns of Questionnaire Respondents

Topic	Number of respondents who reported being "somewhat" or "very" concerned.
Inflation increasing the cost of goods and services	158
Reduced Social Security and/or Medicare benefits	146
Cognitive decline and financial challenges from dementia, Alzheimer's, etc.	134
Medical costs (including nursing home or home care)	132
Incorrectly estimating future expenses and your ability to pay	130

Source: GAO participant questionnaire. | GAO-20-718T

Women said that issues related to work, including pay inequality and not being able to work as long or as much as they wanted to, hindered their retirement security. Women in 13 focus groups discussed how caregiving responsibilities can influence a woman's ability to work. In five focus groups, women said they stopped working before they wanted to in order to care for an ill family member. When we asked our focus groups what, if anything, should be done to safeguard the financial security of older women in America, several of our focus groups discussed how equal pay should be addressed.

Pay Disparity Illustration

To illustrate the potential effect of an earnings gap between men and women working fulltime for an entire career, we simulated hypothetical 44-year careers for a woman and a man, each earning the median for fulltime workers for their age and gender between ages 21 and 65, using March 2019 CPS data. While estimated median earnings varied by age, the median across all those ages was $55,000 for the man and $45,000 (18 percent lower) for the woman. In our simulation the man's total earnings over those 44 years were about $2.5 million, and the woman's were about $2 million.

This finding suggests that the woman earning the median at age 65 ($50,000) would have to work an additional 10 years at that level of pay to match the man's median career earnings. Our simulation also shows that if a man and a woman each contributed the same constant 6 percent of earnings towards retirement savings, accrued an annual 5 percent investment return on their savings, and worked full-time for 44 years, the man would have accumulated an estimated $476,000 in savings by age 65, compared to the woman's $395,000. Based on median earnings for all men and women, not just those working full-time, we estimated his retirement account at age 65 to be $343,000, and hers at $216,000.

Source: GAO Analysis 2019 Current Population Survey Annual Social and Economic Supplement | GAO-20-718T

Women in the majority of our focus groups said they perceived a societal expectation among their generation that men handled the finances, especially in the context of marriage.[10] After divorce, some women explained that they needed to rebuild credit and pay legal fees, and that they lost spousal health insurance coverage.[11] Some women said that divorce reduced their income relative to their expenses by moving them from a two-earner household to a one-earner household, which is a circumstance widows confront as well. Women in three focus groups who were single mothers said that they prioritized spending on their children's needs over saving for retirement, which left them worse off financially.

All of our focus groups discussed how a lack of personal finance education hindered their retirement security. Some women said they did not fully understand that monthly Social Security benefit amounts change depending on the age at which you begin receiving benefits; did not realize their household Social Security income would be lower after their spouse's death; or did not fully understand the consequences of signing up for Medicare after their initial enrollment period.[12] In almost all of our focus groups, women said they wished they had made better financial decisions when they were younger.

For example, some focus group participants said they practiced poor financial habits when they were younger or had regrets about their financial decisions, such as overspending, accumulating debt, making

[10] While we report our findings by the number of focus groups in which a topic was discussed, it does not necessarily mean that there was a consensus or agreement among all focus group participants on a given topic. However, we often report perspectives that were commonly shared across a large number of focus groups, or were frequently discussed by participants. We spoke to 190 women in total for this report. The majority were 70 to 80 years-old, and 19 were over 80. Among these women, 129 were white, 42 were African American, five were Hispanic or Latino, three were Asian, two were American Indian or Alaska Native, six were other or mixed races, and three did not report their race.

[11] We recently reported that establishing a legal claim to a former spouse's retirement account can be costly and complex. See GAO. *Retirement Security: DOL Could Better Inform Divorcing Parties About Dividing Savings,* GAO-20-541 (Washington, D.C.: July 31, 2020).

[12] The initial enrollment period for Medicare Parts A and B usually begins 3 months prior to the month an individual turns 65 and ends 3 months after the month the individual turns 65. In general, individuals who do not enroll in Part B during their initial enrollment period must pay a permanent penalty of increased monthly premiums if they choose to enroll at a later date. In addition, signing up late for Part D prescription drug coverage can result in late enrollment penalties, which are based on the amount of time an individual has gone without Part D coverage or other creditable prescription drug coverage.

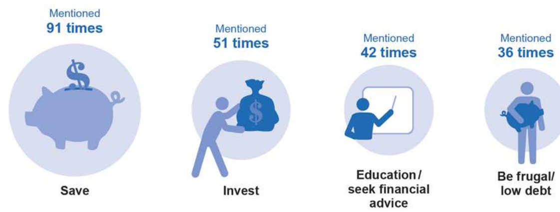
poor investment decisions, and not saving for retirement earlier in life. One woman shared the following sentiment. "My mindset was making sure I got up to go to work every day, make sure there was food on the table, rent was paid, and all that. Who... cared about retirement at that time? I was like, as long as I was getting up and going to work, it was fine. But as that day came, I realized I should have been paying more attention. Instead of putting 50 cents, I should have been putting a dollar, you know, in that matching."

Ideas for improving personal finance education for women were discussed in 12 of our focus groups and were mentioned frequently. For example, women suggested incorporating personal finance learning into school curriculums, starting as early as kindergarten and continuing through college.

We asked women what they did not understand about finances when they were younger that they wish they had known. In response, some women said they faced challenges understanding how investments worked or how important employer matching policies and compound interest were to building wealth. Women in 12 focus groups said that seeking advice from a financial advisor was a positive experience for them, but women in 10 focus groups had negative experiences, which they said included receiving poor advice, paying high fees, or becoming a victim of fraud. In a few focus groups, women noted that finding a trustworthy financial advisor can be difficult or that knowing the correct questions to ask professionals can be challenging.

We asked women who completed our written questionnaire to provide advice for younger women about how to prepare financially for retirement. Of the 163 responses to this question, saving and investing were the two most frequent pieces of advice, as shown in figure 1.

Figure 1: Top Four Pieces of Advice for Younger Women from Older Women on Our Written Questionnaire



Source: GAO analysis of focus group participant questionnaire data. | GAO-20-718T

Although we did not directly ask focus group participants about any specific costs, concerns about the cost of health care were discussed frequently in all 14 focus groups. Women raised concerns about being able to afford medical procedures or prescription drugs, which may not be covered or fully covered by their health insurance. Women in three focus groups shared stories of skipping dental exams or vaccinations because they could not afford them. Of the 161 women who responded to a question on our written questionnaire about whether Medicare was sufficient to cover all of their current healthcare needs, only 28 reported that it was.

In the majority of our focus groups women discussed how health care costs would likely increase as they aged, and how difficult it is to predict how much money they will need for their future health care needs. Women said their prescriptions had increased in price or were no longer being covered by their insurance, which they said sometimes left them in positions where they had to use a cheaper alternative or forgo the medication altogether. Women in eight of our focus groups shared concerns about potentially needing to pay for long-term care as they age. Concern over health care costs was one of the topics discussed more frequently in our rural focus groups than our urban focus groups.

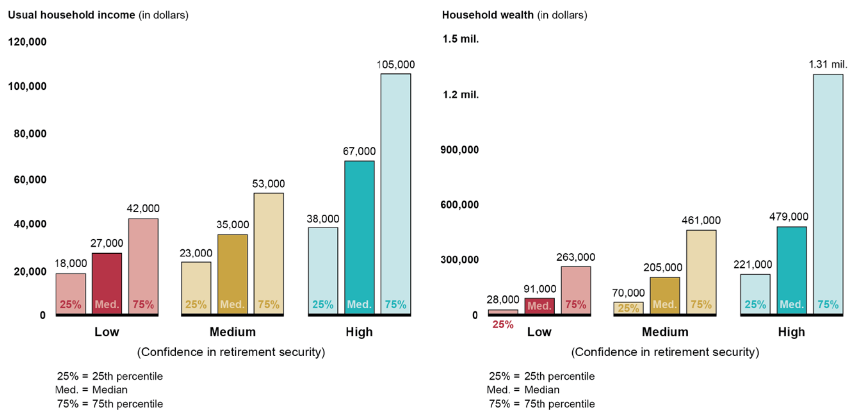
Costs associated with housing were a topic of extensive discussion in 13 focus groups. Property taxes were a concern among half of our focus groups, with some women saying they have experienced large increases in their property taxes in recent years. Other examples of costly housing expenses discussed in our focus groups included condominium fees, homeowners insurance, utilities, yard work, and home repairs. Renting presented challenges for women in four focus groups who were concerned about the high cost of rent or the unpredictability of rent increases. Older Americans devote a substantially larger share of their total budgets to medical care and shelter than others, and costs for medical care and shelter have generally increased more rapidly than costs for most other goods and services.

Fewer than Half of Households with Women age 70 and Older Reported a High Level of Confidence in Their Retirement Security

According to data from the 2016 Survey of Consumer Finances (SCF), an estimated 42 percent of households with women age 70 and older reported having a high level of confidence in their retirement security.[13] An estimated 25 percent of households of women 70 and older reported a low level of confidence in retirement security, and 33 percent reported a medium level of confidence. Households with women age 70 and older had a median level of household wealth —defined as net worth, or assets minus debt— of approximately $250,000. Median household wealth for the high, medium, and low retirement confidence levels was $479,000, $205,000, and $91,000, respectively (see fig. 2).

[13] The low, medium and high retirement confidence groups are based on household reporting of how adequate its income in retirement is to maintain its standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. The statistics in this section from the SCF are estimates based on a sample of households in which the head of the household or the spouse of the head of the household was a woman age 70 or older. The respondent to the SCF survey was generally the head of household, which might not have been a woman.

Figure 2: Distribution of Income and Wealth of Households with Women 70 and Older, by Retirement Confidence Level

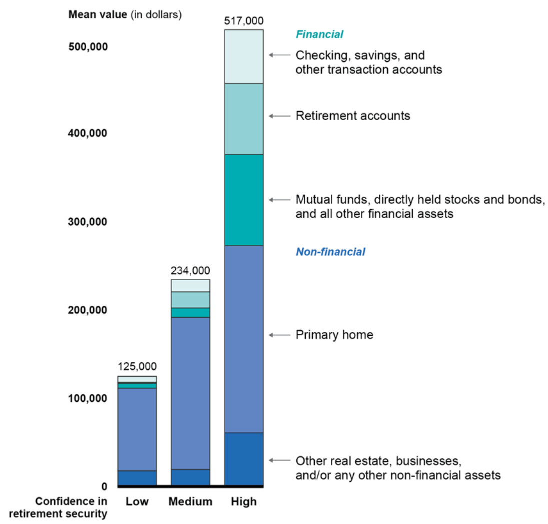


Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-718T

We saw differences in retirement confidence by race, homeownership, retirement plan participation, education, and marital status. For example, about 23 percent of households with white respondents and 40 percent of those with African American respondents reported low retirement confidence, a statistically significant difference. However, differences in wealth were stronger predictors of reported levels of retirement confidence than were differences in race, education or marital status. We also observed differences in the composition of the household assets held at each level of retirement confidence. The typical older woman's household reporting high retirement confidence had higher liquidity, measured as the percentage of their assets that are financial (such as checking and savings accounts, stocks, bonds, and mutual funds).

In high confidence households, financial assets made up almost half of the total household assets. These high confidence households had about six times the financial assets of those that reported medium retirement confidence, and 18 times the financial assets of those reporting low retirement confidence (see fig. 3). Older women's households reporting high retirement confidence also had more non-financial assets, such as home values, than those in households reporting low retirement confidence—but the difference in the amount of non-financial assets between these groups of households was smaller than the difference in the amount of financial assets. Among households with older women reporting low retirement confidence, a relatively small portion of their assets were financial, limiting their access to liquidity and their ability to leverage compound interest for wealth building.

Figure 3: Financial and Non-Financial Assets of Households with Women 70 and Older, by Retirement Confidence Level



Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-718T

Liquidity, or the degree to which an asset can be bought or sold quickly at a price reflecting its value, is an important predictor of retirement confidence for households of older women at all levels of wealth. The most liquid assets are checking, savings, and other transaction accounts. We found that almost 40 percent of households with older women had less than $5,000 in checking and savings accounts in 2016, and about 20 percent had less than $1,000. Older women's households with less than $1,000 in the most liquid assets may be particularly vulnerable to emergencies and unexpected expenses, as 68 percent of these households had no other financial assets to draw upon. Even among older women's households with wealth of more than $1 million, 49 percent of those with lower liquidity had high retirement confidence, compared to 80 percent of those with higher liquidity.

On Average, Rural Households Also Have Low Liquidity.

We found that households with older women—those age 70 and over—in rural areas had relatively low liquidity. For the median older rural woman's household, financial assets, which are relatively liquid, were worth 14 percent of total household assets. For the median older urban woman's household, financial assets were worth 36 percent of total household assets.

According to the Board of Governors of the Federal Reserve System (Federal Reserve), in 2016, rural households overall (i.e., not just older women's households) had lower median income and wealth than urban households overall (with urban defined as a population of 50,000 or more and rural as less than 50,000). Median household income for rural households was $38,700, and median household income for urban households was $55,200. Rural median household wealth was $87,900 and urban median household wealth was $99,000. Rural mean household wealth was $276,300 and urban mean household wealth was $751,300, reflecting the concentration of highly wealthy households in urban areas.

Between 2013 and 2016, rural median household income increased by 2 percent while median income of urban households increased by 10 percent. Median household wealth of rural households increased more than it did for urban households (25 and 13 percent, respectively), but mean household wealth of urban households increased more than it did for rural households (27 and 3 percent, respectively), reflecting in part the growth of the assets of highly wealthy households concentrated in urban areas.

Source: Federal Reserve analysis of 2016 SCF data for GAO and Federal Reserve, "Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances," September 2017. | GAO-20-718T

Homeownership, often a large portion of total assets, is a means of building wealth but can also constrain household liquidity. In our multivariate models, owning a home was associated with a 2 to 3 times higher odds of having high retirement confidence when the home does not constrain liquidity. Home equity was a larger portion of wealth for low confidence homeowners than for high confidence homeowners. Among low confidence households with older women that owned homes, equity in their primary home made up 70 percent of their household wealth, on average, compared to 39 percent of household wealth for households reporting high retirement confidence.

Guaranteed income from defined benefit plans and Social Security is also important for older women's retirement security. We constructed a measure of total resources that equaled the sum of household wealth, the estimated present value of future Social Security income, and the estimated present value of future defined benefit plan income (e.g., a pension from an employer providing monthly payments for life). Our analysis of SCF data found that after we controlled for total resources, household liquidity, race, education, and homeownership status, an older woman's household with a defined benefit plan was still about twice as likely to report high confidence in its retirement security as an older woman's household without one.

For millions of older women's households, the present value of their future Social Security income is their most valuable retirement resource, according to our analysis of 2016 SCF data. The present value of future Social Security income was worth more than household wealth for about 40 percent of households with women age 70 and older.

Most women have less income to maintain their living standards in retirement than they did when they were working, and, on average, unsurprisingly, they increasingly rely on Social Security over time in retirement as their main source of income. We estimated changes over time in two cohorts of women by analyzing longitudinal data from the Health and Retirement Study. In 2016 dollars, median household income for the younger cohort declined from $50,000 when they were 62-66, to $37,000 by the time they were 74-78. Median household income for the older cohort declined from $29,000 when they were 74-78, to $22,000 by the time they were 86-90. Median household spending declined similarly to the median household income decline.

Women generally spent their non-housing assets first, rather than selling their home (or otherwise accessing home equity). A significant decline in non-housing wealth contributed to a decline in the overall wealth of the older cohort across the age range of 74 and 90. The older cohort began at age 74-78 when 58 percent were unmarried. By the time they were 86-90, 80 percent were unmarried. These changes with age may help explain the sense of fragility around their retirement security that we heard expressed by women broadly across our focus groups.

Chairman Collins, Ranking Member Casey and Members of the Subcommittee, this concludes my prepared remarks. I would be happy to answer any questions you may have.

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American Retirement Association Statement for the Record For the Senate Special Committee on Aging Hearing on "Women and Retirement: Unique Challenges and Opportunities to Pave a Brighter Future"

The American Retirement Association (ARA) thanks Chairman Collins, Ranking Member Casey, and the other Members of the Senate Special Committee on Aging for holding a hearing to examine the unique challenges that women face in retirement.

The ARA is the coordinating entity for its five underlying affiliate organizations representing the full spectrum of America's private retirement system – the American Society of Pension Professionals and Actuaries (ASPPA), the National Association of Plan Advisors (NAPA), the National Tax-Deferred Savings Association (NTSA), the American Society of Enrolled Actuaries (ASEA), and the Plan Sponsor Council of America (PSCA). The ARA's members include organizations of all sizes and industries across the nation who sponsor and/or support retirement saving plans and are dedicated to expanding on the success of employer-sponsored plans. In addition, the ARA has nearly 30,000 individual members who provide consulting and administrative services to the sponsors of retirement plans. The ARA and its underlying affiliate organizations are diverse but united in their common dedication to the success of America's private retirement system.

Last month, on Women's Equality Day, ARA announced the creation of a Women in Retirement Council to provide stewardship and support of Women's Issues within the organization. ARA has long been a proponent of, and advocate for, women's voices in the retirement plan industry. The Women in Retirement Council was drawn from across the organization's five member associations to help bring focus to the current and future efforts to support and retain women in the retirement plan industry, and highlight the issues confronting women in retirement.

Women face a series of interconnected issues that make them distinctly more vulnerable to slip into poverty during retirement. The first challenge is the gender pay gap. In 2018, women earned 85 percent of what men earned according to a Pew Research Center analysis of median hourly earnings of both full- and part-time workers in the United States. According to Pew, one-in-four employed women said they have earned less than a man who was doing the same job; just 5 percent of men said they have earned less than a woman doing the same job. The gender pay gap squeezes the ability of women to save for their retirement. In other words, women earn less so they save less for their retirement.

Women are much more likely to face interruptions in their working career due to caregiving responsibilities. According to AARP and the National Alliance for Caregiving (NAC), three in five caregivers are women (61 percent) and two in five are men (39 percent). According to a 2013 Pew Research survey, roughly four-in-ten mothers said that at some point in their work life they have taken a significant amount of time off (39 percent) or reduced their work hours (42 percent) to care for a child or other family member. These interruptions have a negative impact on long term earnings. A hypothetical illustration shows that a seven-year caregiving break in the middle of a 43-year working career, say to raise a child, can lead to a loss of nearly $400,000 in retirement income according to an MFS Investment analysis.

Another concern is women who have student loan debt. According to a 2019 TIAA-MIT AgeLab Study, 84 percent of Americans report that student loan debt reduces the amount they can save for retirement. Among Americans aged 25 to 35 who are not saving for retirement, 39 percent say they are prioritizing student loan payments. If women delay starting to save for retirement until they pay off student debt, which tends to be around the age of 30 to 35, that is the time that overlaps when they are possibly taking some time out of the workforce for family obligations. This puts women even further behind their male counterparts in saving for retirement.

The retirement saving challenges for women are not limited to rank and file workers, but impact women business owners as well. Women own more businesses and influence the retirement savings behavior of more employees than ever before. The 2019 American Express Annual State of Women-Owned Businesses Report reported that women owned and led businesses increased by 21 percent from 2014 to 2019 (compared to a 9 percent increase for all other businesses during the same time period).

A groundbreaking annual survey published by Leading Retirement Solutions in 2019 shows that only 5 percent of women business leaders start saving for retirement before age 20 versus 13 percent of men business leaders. The trend continues through later stages of life with only 82 percent of women business leaders who start saving for retirement before age 40 versus 91 percent of men business leaders. Unfortunately, according to the same survey, women owned businesses (24 percent) are twice as likely not to offer workplace retirement plans for their employees as men owned businesses (12 percent).

Women live longer. When entering retirement, women, whom in many cases will have less money saved because of lower pay, student loan debt, and caregiving career interruptions, need to make that money last longer than men. According to the Kaiser Family Foundation, the average life expectancy for U.S. women (age 81.1 in 2017) is five years longer than for U.S. men (age 76.1 in 2017).

Finally, more women are forced into retirement early due to health concerns than men. According to a 2018 MFS Retirement Income Survey, women are nearly twice as likely (38 percent) to retire for a personal or family health issue than men (20 percent). And health care is more expensive for women in retirement than men. According to a 2019 Healthview Services Research analysis, a healthy 55-year-old woman will pay $83,000 more for health care over her retirement than a healthy 55-year-old man.

How can these challenges be addressed? Closing the retirement plan coverage gaps in that workforce so more women have the access and the opportunity to save through a workplace-based retirement plan is critical. The ARA strongly supported the *Setting Every Community up for Retirement Enhancement (SECURE) Act* which became law in December 2019. The SECURE Act included a provision requiring long-term, part-time (LTPT) workers, many or perhaps most of whom are women, to be made eligible to participate in a 401(k) plan. The ARA has also supported proposals requiring businesses over a certain size to offer a workplace-based retirement plan for their employees to more easily save.

In addition, enhancing and reforming the Saver's Credit into a government matching contribution would help low- and moderate-income workers, many or perhaps most of whom are women, build their retirement nest egg. The bipartisan *Retirement Security and Savings Act* sponsored by Senators Rob Portman (R-OH) and Ben Cardin (D-MD) contains a provision that makes the current Saver's Credit refundable if the refundable portion is deposited directly into a retirement savings plan or IRA. According to a 2005 study[1], low- and moderate-income workers are responsive to this type of matching incentive.

ARA supports the bipartisan *Retirement Parity for Student Loans Act* that would permit sponsors of defined contribution retirement plans to make matching employer contributions into the plan for employees as these employees make their student loan payments. This legislation will help workers build their retirement savings, particularly women, who cannot afford to both save for retirement on their own and pay off their student loan debt.

Finally, ARA supports the provisions in the *Women's Retirement Protection Act* that creates two grant programs in the Women's Bureau of the Department of Labor to help women build retirement savings. The first program will grant federal dollars to community-based organizations that improve the financial literacy of women of all ages. The second program will assist low- and moderate-income women and survivors of domestic violence in obtaining qualified domestic relations orders to ensure these vulnerable women receive the retirement benefits they are entitled to through the orders.

According to the Bureau of Labor Statistics, women make up 47 percent of the workforce. More needs to be done to address these special challenges that women face in their retirement years. The ARA appreciates the Senate Special Committee on Aging's focus on this important issue and asks Congress for prompt action on these legislative items so women can be better prepared and more economically secure in retirement.

[1]Duflo, Esther, William Gale, Jeffrey Liebman, Peter Orszag, and Emmanuel Saez (2005). "Savings Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block," Retirement Security Project Policy Brief No. 2005-5. May 2005.