

Social Security



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About Social Security



1935 - Height of the Great Depression

Over 1/2 nation's elderly living in poverty

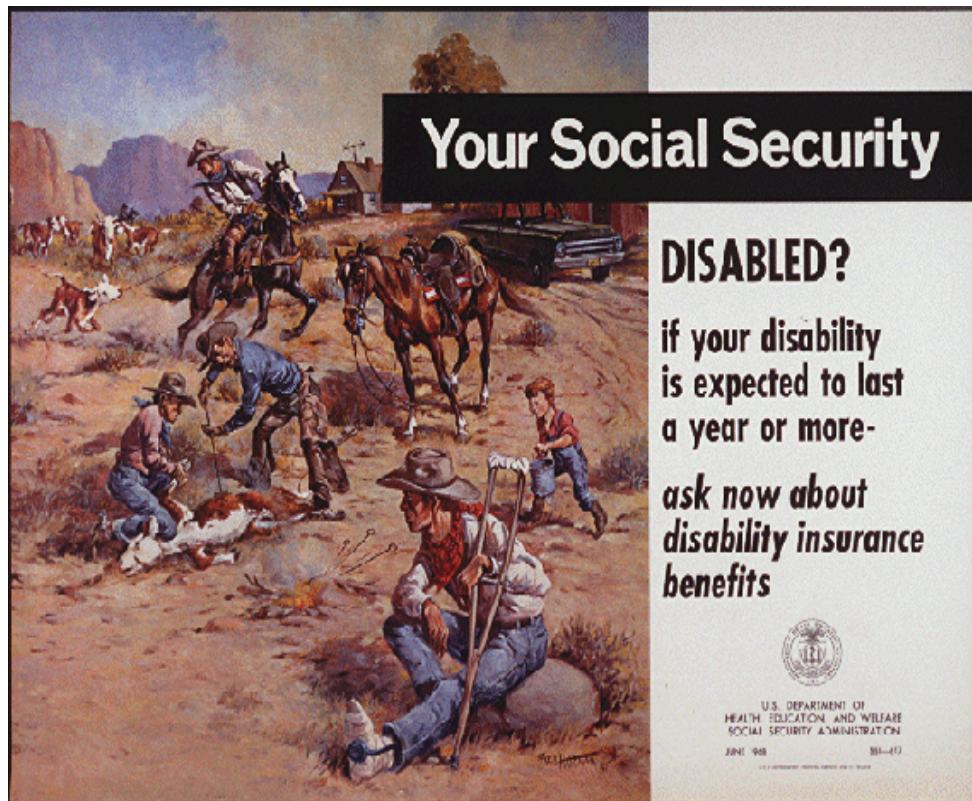
New Deal, *August 14, 1935*, FDR signed Social Security into law

January 31, 1940: Ida May Fuller was the 1st recipient of an old-age monthly benefit check.

Today, the program lifts 13M seniors above the poverty line.



Disability Insurance added in 1956



- DI replaces a portion of the earnings that are lost when a person can no longer work because of a disability.
- Studies show that a 20-year-old worker has a 3 in 10 chance of becoming disabled before reaching retirement age.



Medicare Added in 1965

Your Social Security

MEDICARE helps older Americans pay hospital and medical expenses

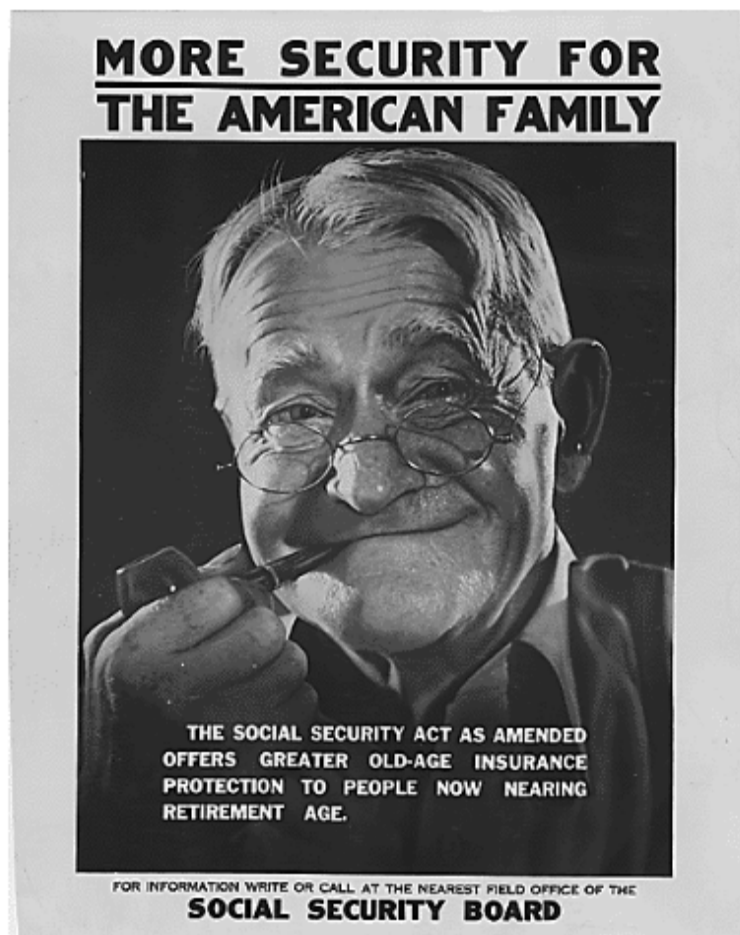
NEARING 65?

Sign up for **MEDICARE** 2 or 3 months before your birthday

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SOCIAL SECURITY ADMINISTRATION
BUREAU OF MEDICARE
505-314



COLA Added in 1972



- Benefits keep pace with inflation
- Based on CPI-W
- No increase in 2011



Social Security Highlights

- Social Security covers virtually everyone
- It is fully portable between jobs
- Retirement benefits last for life and keep up with the cost of living
- Social Security provides family life insurance in case of the death of a worker; provides disability protection
- Social Security has a permanent sponsor, the federal government, which will not go out of business or move overseas
- It is remarkably efficient, spending less than 1% on administration fees



How Social Security Works

- **Who pays for Social Security?**

- § Social insurance system/FICA: Everyone contributes, everyone collects benefits

- **How much?**

- § Workers & employers: each pay 6.2%* of earnings (up to \$106,800 cap) = 83% of trust fund income

- § *In 2011, 2% payroll tax “holiday” for workers.

- § Likely political issues w/ restoring the tax

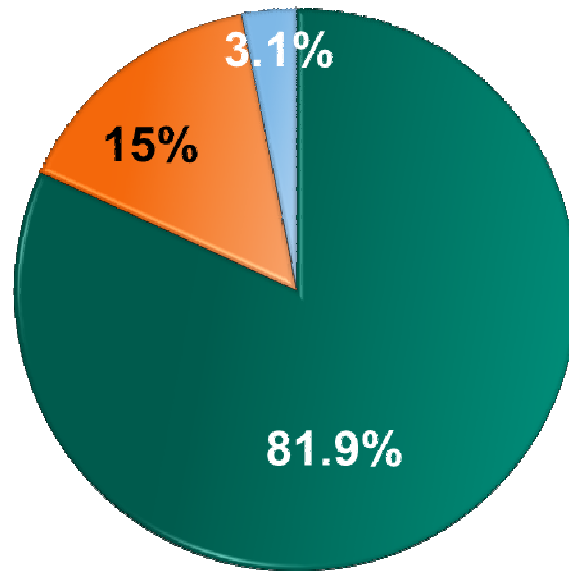
- § Undermines SS’s long-term solvency

- **Eligibility**

- § Generally need 40 quarters of work



2010 Social Security Income



- Employer and employee Social Security contributions
- Interest on reserves
- Income taxes on benefits



2010 Social Security Funding

Trust Fund Income = **\$781.1 billion**
Trust Fund Payouts = **\$712.5 billion**

Surplus = **\$ 68.6 billion**

Source: NASI/SSA Trust Fund



Social Security Funding

- Pay-as-You-Go
- 1983 Greenspan Commission
 - Payroll tax was raised by 1.6 percentage points
 - Pushed retirement age from 65 to 67
- Currently a 2.5T Surplus
- Social Security can pay all benefits in full through 2036. Thereafter, it can pay 78% of benefits.



Where Does The Surplus Go??

- By law, SS annual surplus invested in special issue Treasury bonds
 - Invested assets \$2.617 Trillion @ end of 2010
- Treasury securities held by the SS Trust Funds are a binding legal commitment – they must be redeemed with interest when needed.



What Would Happen If the Trust Fund Ran Out of Money?

- Social Security can't borrow – so can't add to the federal deficit.
- If nothing is done sooner, benefits will need to be cut and/or taxes hiked when trust fund runs out (by 17% per CBO or 24% per SS Trustees).



What is the Normal Retirement Age?



COURTESY: SOCIAL SECURITY ADMINISTRATION

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67



How Many People Get Social Security?



90% of people 65 and older
get Social Security

54 million people receive
Social Security each month

1 in 6 Americans get Social
Security benefits

Nearly 1 in 4 households get
income from Social Security

National Academy of Social Insurance, Social Security Finances: A Primer (2005)



Social Security Beneficiaries

34.7 million retired workers

8.2 million disabled workers

4.4 million widows and widowers

2.5 million spouses

**1.0 million adults disabled since
childhood**

3.2 million children

Source: NASI/SSA:Beneficiary Data



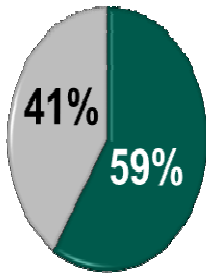
How Much Does Social Security Pay?

Type of Beneficiary	2010 Average Monthly Benefit
All Retired Workers	\$1,176
Aged widow(er), non-disabled	\$1,108
Disabled worker	\$1,067
Aged couple-both receiving	\$1,756
Widow(er) w/ two children	\$2,352



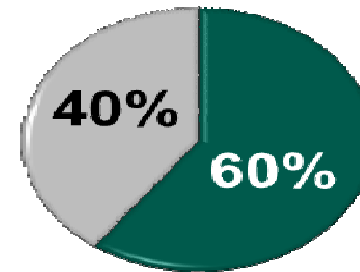
Most Older Americans: No Pensions

All Age 65+

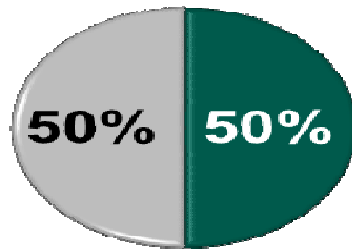


■ No Pension
■ Pension

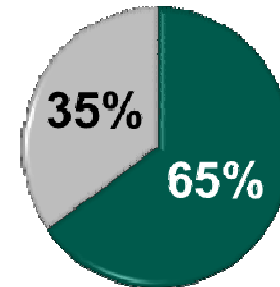
Unmarried Men



Couples



Unmarried Women



Social Security and All Income

- **90% of people 65 and older get Social Security.**
- **Nearly 2 in 3 (64%) get half or more of their income from Social Security.**
- **About 1 in 3 get almost all (90% or more) of their income from Social Security.**



Debt Ceiling Debate

- Debt ceiling is \$14.29 trillion;
- Reached on May 16, 2011
- Deadline: August 2, 2011
- This year, threats are being made that the debt ceiling will not be raised unless cuts are made to Social Security and Medicare.
- Speaker Boehner (R-OH) has been threatening not to back an increase without significant new spending cuts and budget restrictions.



What are we talking about?

- **Mandatory spending** – entitlement
 - Social Security
 - Medicare, Medicaid, SCHIP
 - Unemployment benefits
 - Veterans Benefits
- **Discretionary spending** – spending set on a yearly basis, includes infrastructure, defense
- **Tax overhaul**



Fiscal Commission Co-Chairs' Proposals on Social Security

- Ultimately raise the retirement age to 69
 - Would rise to 68 in 2050 and 69 in 2075
- Ultimately raise the early eligibility age to 64
- Hardship Exemption
- Reduce the COLA
- Change in benefit formula



Obama Budget

- \$1.1 trillion in deficit reduction – two-thirds of it from program cuts (\$3:\$1 breakdown)
- Five-year freeze on domestic spending saving \$400 billion
- Lets Bush tax cuts expire for incomes over \$250,000
- Cuts \$78 billion from defense over 5 years
- \$10.6 billion in Medicaid cuts over 10 yrs.
- \$6.5 billion in Medicare savings



Highlights of the President's Budget Proposal – FY 2012

- Increases needed funding for the Social Security Administration by \$1 billion
- Provides a one-time \$250 “economic recovery” payment to SS recipients (especially important in absence of COLAs in 2010 and 2011)
- Opposes privatization



Trustees Report on Social Security

Report issued on May 13, 2011

- In 2011, SS income (\$808B) minus costs (\$738B) leaves **\$69B surplus**
- 2010 Trust Fund balance: \$2.6T;
2011 Projected balance: \$2.7T.
- TF exhausted in 2036 (one year earlier); a 23% benefit cut in 2036 if nothing done.
- Solvency could occur if raise FICA from 12.4% to 14.55%



Trustees Report on Medicare

- Hospital Insurance (HI) Trust Fund exhausted in 2024
- Due to lower payroll tax revenue, faster real growth
- Without health care reform law (ACA), it would be exhausted by 2016
- Over the next 75 years, HI costs projected to be about 25 percent lower due to ACA.



Social Security Options

- **Raise retirement age to 70**
 - Retirement age has already increased from 65 to 67 – a **13% benefit cut**. Raising it to 69 will be another **13% benefit cut**.
 - Raising retirement age **discriminates** against older workers and low-income workers.
 - Lower-income women have seen declines in life expectancy; upper-income women modest improvements.



Social Security Options

- **Means-Testing**

- Would cut at Social Security's main strength: its universality.
- Risk of further pitting the haves against the have nots.



Proposals to Fix Social Security

- **Reduce COLA?**

- CPI-W does not reflect true costs seniors face
- Ignores larger share spent on health care

- **Chained CPI**

- Centered around idea of “substitution prices”
- chained CPI will result in a 0.3% of benefit cut every year for current *and* future retirees
- \$108B in benefit cuts over 10 years



Options to Strengthen Social Security

- **Raise/eliminate the Payroll Cap**
 - 2010 cap: \$106,800.
 - Restoring the cap to 90% of earnings and eliminating it altogether on the employer side would shrink long-term deficit by 69%
- **Increase the payroll tax by 1.1% (to 7.3%)**
 - Would zero-out the long-term shortfall.
- **Dedicate Estate Tax**



The Senate & Social Security

Defend Social Security Caucus

- Caucus of invited Democratic senators
- Nineteen members, as of 4/1/11
- Senators Akaka (HI), Blumenthal (CT), Begich (AK), Boxer (CA), Brown (OH), Cantwell (WA), Franken (MN), Gillibrand (NY), Harkin (IA), Lautenberg (NJ), Menendez (NJ), Merkley (OR), Mikulski (MD), Schumer (NY), Reed (RI), Sanders (VT), Stabenow (MI), Whitehouse (RI)
- Focuses solely on defending Social Security.



Bills Pending in Senate

Social Security Protection Act of 2011, S. 582, Senator Bernie Sanders (I-VT)

Creates a “point of order” against reducing Social Security benefits

Congressional Retirement Age Act, S. 742 Senator Sherrod Brown (D-OH)

Ties the age when Members of Congress can receive their federal pension to the retirement age of Social Security.

Social Security Solvency & Sustainability Act, S. 804; Senators Graham (R-SC), Lee (R-UT) & Paul (R-KY)

- Raises age to 70, then indexes to longevity
- means-tests Social Security



Bills Pending the House

- **Preserving Our Promise to Seniors Act (H.R. 539)**
 - Rep. Deutch (D-FL-19)
 - CPI-E, \$250, extends solvency w/o raising age or cutting benefits
- **Guaranteed 3% COLA for Seniors Act of 2011 (H.R. 776)**
 - Rep. Engel (D-NY-17)
- CPI-E & minimum 3% COLA
- **H.R. 867 – Retirement Security for Today’s Four-Year-Olds Act of 2011; Rep. Lummis R-WY)**
 - Raises normal retirement age to 70; early age to 65



Proposals to Fix Social Security: Raise Retirement Age

- **HR 867 – Retirement Security for Today’s Four-Year-Olds Act of 2011**
 - Rep. Lummis (R-WY)
 - Raises normal retirement age (NRA) to 70, ERA to 65
- **S. 804 – Social Security Solvency & Sustainability Act**
 - Senators Graham (R-SC), Lee (R-UT) & Paul (R-KY)
 - Raises age to 70, then indexes to longevity
 - Means-tests Social Security benefits



Remember Who We're Fighting For

- Without Social Security, one out of two seniors (47%) have income below poverty.
- Social Security is our largest children's program. Children who receive it live in families whose income averages 25% below that of other families.
- Without Social Security, 55% of disabled workers and their families would live in poverty. Disability can strike any of us anytime.
- Social Security's average benefit is just \$14,000 a year – there's no room to cut it.



Agitate, Agitate, Agitate

- Visit, write, call your Members of Congress. Let your know we're watching!
- Write your local newspapers.
- Educate your friends and neighbors.

Resources:

Alliance for Retired Americans

www.retiredamericans.org

Social Security Works

www.strengthensocialsecurity.org

