

Social Security & the Fiscal Commission – What you need to know!



Richard Fiesta
Director of Government and Political Affairs
Alliance for Retired Americans
815 16th St., NW
Washington, DC 20006

www.retiredamericans.org



Alliance for Retired Americans

Created by the AFL-CIO Executive Council in 2001

- **4 million members**
- **Alliances in 28 states and growing**
- **Participation by all major unions and many community groups**
- **Barbara Easterling, President,
CWA Secretary-Treasurer Emerita**
- **George Kourpias, Founding President**

About Social Security



1935 - Height of the Great Depression

Over ½ nation's elderly living in poverty

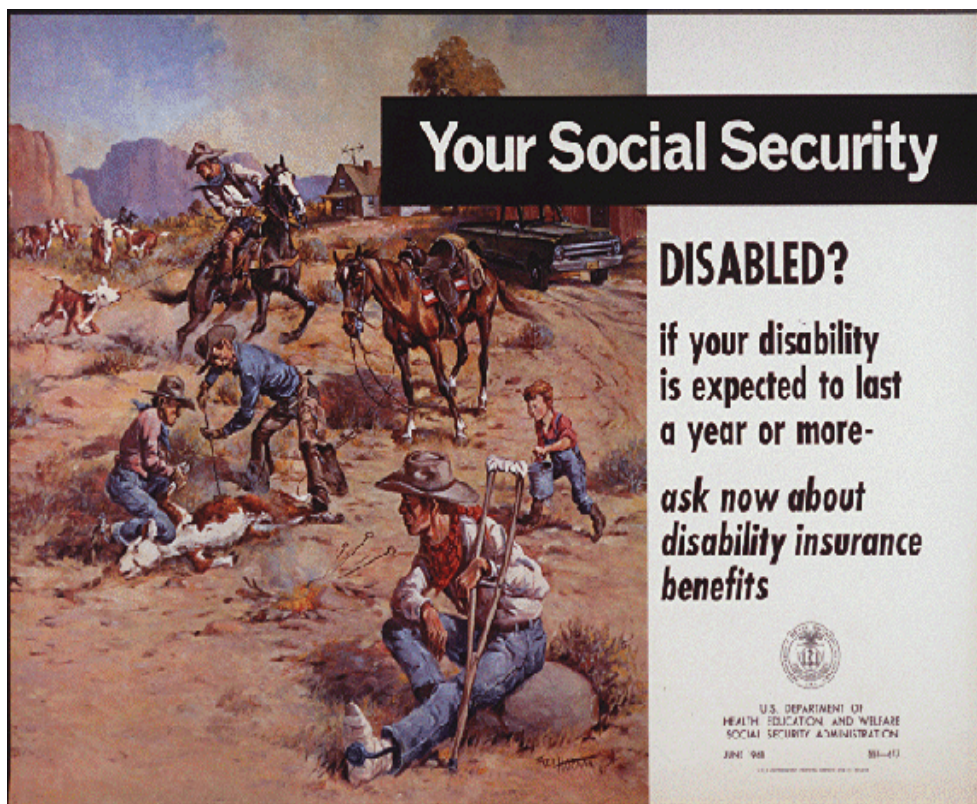
New Deal, *August 14, 1935*, FDR signed Social Security into law

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
SINE 1948 951-214



How Many People Get Social Security?



90% of people 65 and older
get Social Security

53 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 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
- **Eligibility**
 - Generally need 40 quarters (10 years) of work



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
- 2042, 75% of benefit



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 Much Does Social Security Pay?

Type of Beneficiary	2010 Average Monthly Benefit
All Retired Workers	\$1,164
Aged widow(er), non-disabled	\$1,123
Disabled worker	\$1,064
Aged couple-both receiving	\$1,892
Widow(er) w/ two children	\$2,391



Security Myths and Mistruths

- ✘ Social Security is in a Crisis!
- ✘ Social Security is on an Unsustainable Course
- ✘ Social Security is Nearly Bankrupt
- ✘ Baby Boomers' Retirement will Collapse the System
- ✘ Social Security is in Debt
- ✘ The Social Security Trust Fund full of worthless IOUs.

NONE of these are true



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).



The Wrong Way to Strengthen Social Security

- Benefit Cuts:
 - Raising Retirement Age
 - Dropping the COLA by 1%
 - Means-Testing
- Americans already ill-prepared for retirement
- Housing, stock market, job market downturns made bad situation worse
 - Aggregate 401(k) balances remain 12% below 2007 levels



The Wrong Way to Fix Social Security

- **Raise retirement age to 70**
 - Americans already retiring later, but face barriers
 - Jobs scarce, especially for older & younger workers
 - Growth in life expectancy skewed to high earners



The Wrong Way to Fix Social Security

- **Reduce COLA?**
 - CPI-W does not reflect true costs faced by seniors
 - Ignores larger share spent on health care
 - Oldest old are also poorest old (have exhausted other means of support)



The Wrong Way to Fix Social Security

- **Means-Testing**

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

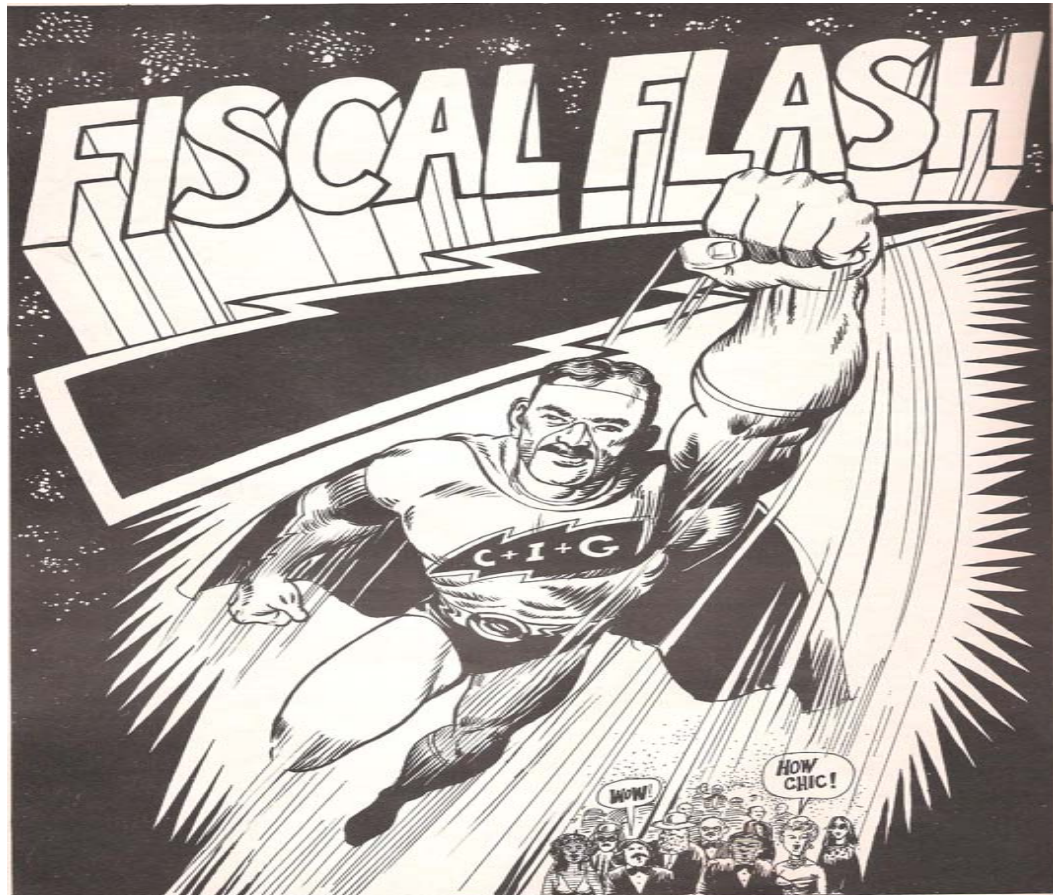


The Right Way to Strengthen Social Security

- **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**



National Commission on Fiscal Responsibility & Reform

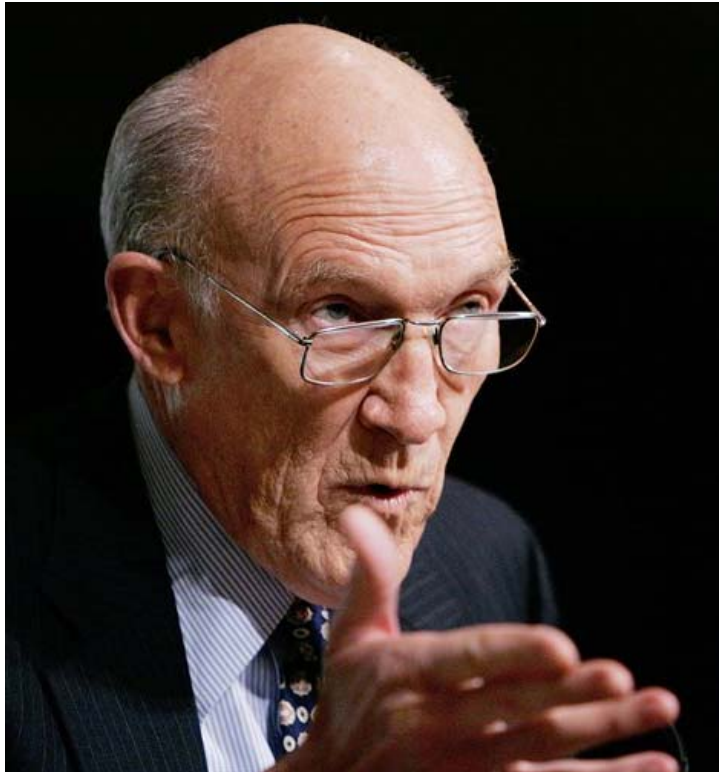


About the Fiscal Commission

- Created by Executive Order on 2/18/10
- 18 Members: 6 by the President, 12 by Congress
- Medium-term objective: 3% deficit by 2015
- Everything on the table.....
- Monthly general meetings now through December; Private weekly working group meeting through December
- Report due December 1, 2010.
- Recommendations require at least 14 votes



Co-Chair Alan Simpson



“We are going to stick with the big three [Social Security, Medicare, Medicaid] (CNBC, 2/22/10)

“We are talking about Social Security.” (Fox News, 2/18/10)

“It’ll be a bloodbath...you've got to scrub out [of] the equation the AARP, the Committee for the Preservation of Social Security and Medicare, the Gray Panthers, the Pink Panther, the whatever. Those people are lying... [They] don't care a whit about their grandchildren.”(CNBC, 2/22/10)



Co-Chair Erskine Bowles



“Everything’s on the table.” (CNN, 3/1/10)

“We’re going to mess with Medicare, Medicaid and Social Security.”

(N.C. Bankers Assoc., 3/10/10)



Fiscal Commission Members

18 Members

Co-Chairs: Erskine Bowles & Alan Simpson

At Large: Cote, Rivlin, Fudge, Stern

Senate: Baucus (D-MT); Conrad (D-SD); Durbin (D-IL); Coburn (R-OK); Crapo (R-ID); Gregg (R-NH)

House: Becerra (D-CA); Schakowsky (D-IL); Spratt (D-SC); Camp (R-MI); Hensarling (R-TX); Ryan (R-WI).

3 FC Working Groups: Discretionary, Mandatory, Revenue



National Commission on Fiscal Responsibility and Reform

Why the Commission is of Concern

- **Social Security clearly a target**
 - Simpson: Considering “15 different options” to reform the program.
- **Pete Peterson connection**
 - Hosted “Fiscal Summit” day after first Fiscal Commission Mtg
 - Staffer on loan to the Fiscal Commission from Committee for Responsible Budget (Peterson-funded organization)
 - America Speaks funder
 - “Fiscal Times” & The Washington Post
- **Election Season**



National Commission on Fiscal Responsibility and Reform

Logistical Information

Schedule of Upcoming General Meetings:

Sept. 29, Nov. 10, Dec. 1.

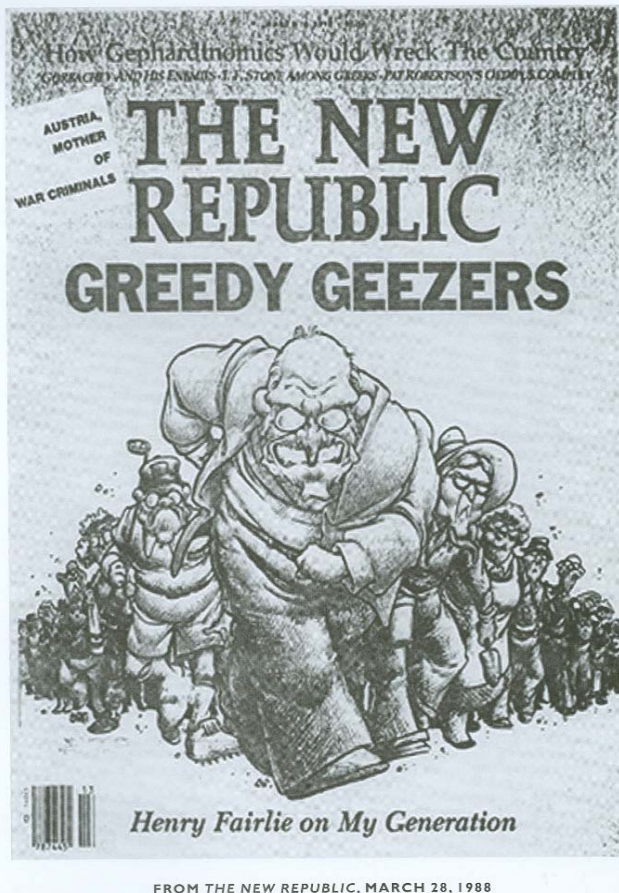
Website: www.fiscalcommission.gov

Watch live: WhiteHouse.gov/live

Updates: Alliance website www.retiredamericans.org



Voters' Views on Social Security....



Kids v. Canes...

Not Quite



Actual Voters' Views on Social Security

- 81% of voters strongly oppose cuts in Social Security benefits in order to reduce the federal deficit.
- Six in ten voters oppose cutting Social Security benefits specifically for people under the age of 55, in order to reduce the federal deficit.
- Six in ten voters feel unfavorably toward elected officials who assert the deficit cannot be reduced without cutting Social Security.
- Across all demographics, voters feel favorably toward elected officials who say that Social Security belongs to the people and should be protected for their use only.



Recap - Voters' Views on Solutions

- Americans are willing to contribute more
 - They just don't want benefit cuts.
- Lifting payroll tax cap especially popular
- Raising retirement age recognized as a cut



Social Security Belongs to the People!

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1. **Social Security is a promise to the American people.**
2. **In these unstable economic times, Social Security has been the only source of financial security for many seniors.**
3. **Social Security did not cause the federal deficit; its benefits should not be cut to reduce the deficit.**
4. **We cannot accept that the government has the money to bail out Wall Street but not to pay back Social Security.**
5. **We strongly oppose any cuts to Social Security benefits, which are a promise to the beneficiaries.**
6. **Social Security should not be means-tested.**
7. **Social Security's retirement age, already scheduled to increase from 65 to 67, should not be raised further.**
8. **Social Security's benefits should be increased for those who are most disadvantaged.**



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 \$13,000 a year – there's no room to cut it.



Agitate, Agitate, Agitate

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

www.retiredamericans.org

www.socialsecurity-works.org

www.strengthensocialsecurity.org

