

**PROTECTING AND IMPROVING SOCIAL SECURITY:
ENHANCING SOCIAL SECURITY TO
STRENGTHEN THE MIDDLE CLASS**

HEARING
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

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**PROTECTING AND IMPROVING
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ENHANCING SOCIAL SECURITY TO
STRENGTHEN THE MIDDLE CLASS**

TUESDAY, MARCH 12, 2019

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:01 a.m., in Room 2020, Rayburn House Office Building, Hon. John B. Larson [Chairman of the Subcommittee] presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
Tuesday, March 5, 2019
SS-1

CONTACT: (202) 225-3625

Social Security Subcommittee Chairman Larson Announces a Subcommittee Hearing on Protecting and Improving Social Security: Enhancing Social Security to Strengthen the Middle Class

House Ways and Means Social Security Subcommittee Chairman John B. Larson (D-CT), announced today that the Subcommittee is beginning a hearing series on “Protecting and Improving Social Security.” The first hearing in the series, “Protecting and Improving Social Security: Enhancing Social Security to Strengthen the Middle Class,” will take place on Tuesday, March 12, 2019, at 10:00 a.m., in room 2020 of the Rayburn House Office Building.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “Hearings.” Select the hearing for which you would like to make a submission, and click on the link entitled, “*Click here to provide a submission for the record.*” Once you have followed the on-line instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Tuesday, March 26, 2019.** For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you require special accommodations, please call (202) 225-3625 in advance of the event (four business days' notice is requested). Questions regarding special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at <http://www.waysandmeans.house.gov/>

Chairman LARSON. The Social Security Subcommittee of the Ways and Means Committee will come to order, please.

I want to thank everybody for joining us this morning, and I especially feel honored to be here this morning in the Sam Johnson room. Having had the opportunity to serve with Mr. Johnson was something I will always treasure. Such an iconic American hero, who I don't think enough Americans knew about his sacrifice in Vietnam and his stay in the Hanoi Hilton, and also, the very decency of the man in the way that he always conducted himself, both in this Committee and out of office. What a great debt of gratitude that we owe to Sam Johnson. And I think only fitting that this room is named after him.

I know the Republican Leader will have something to say about Mr. Johnson as well before we begin our opening remarks. And did you want to—

Mr. REED. Mr. Chairman, if you would yield.

Chairman LARSON. I certainly will.

Mr. REED. Mr. Chairman, thank you for recognizing our colleague Sam Johnson on the Republican side. As the Chairman indicated, he is truly a gentleman, truly a hero to generations of Americans given his experience in Vietnam. And Shirley and him, you know, obviously were a pair of true American leaders, American citizens. And so we appreciate your recognition, and we join you in recognizing the service of Sam Johnson. And being here in his Committee room, named in his honor, I think is rightfully recognized in the work he did, and as you said, he did it in a way that is the way it should be done. So I look forward to that tradition. And I thank you, Mr. Chairman, for recognizing our colleague.

Chairman LARSON. Thank you, Tom, I really appreciate it.

Well, today is the first hearing in a series of hearings that we are going to have on how to protect and enhance Social Security. This is, I would say, a historic moment. Why would I say that? The last time Social Security was seriously taken up by this Subcommittee was 1983. That was 36 years ago. It has been 36 years and a long time, at least 8 years since we had any significant hearing on looking at Social Security in both enhancing it and moving it forward into the next century. It is long overdue.

But I am honored and delighted both to be serving with Tom Reed, a person who cares as deeply as I do, and all the Members on this dais, about making sure that Social Security is there for us in the future. I think we share a common bond, and I think what you can expect from this Subcommittee is that we will roll up our sleeves and begin to do the work that needs to be done.

We care deeply about a program that everybody recognizes is the Nation's premier insurance program. What I found when I went

out across the Nation, and I have been to about 36 States or so doing this, I found that most Americans today, and I think this is true in talking to our colleagues on both sides of the aisle, would really like to see Congress be involved with solutions. They are tired of the rhetoric, they are tired of people going to their separate corners and digging in and not getting anything done. That simply cannot stand anymore. What I see in this group here, the people on this dais, is a group that is prepared to roll up their sleeves and get after a solution to a problem that we all know exists.

I want to give the President of the United States credit. He stood on a stage with 16 other Republicans who tried to get him to say that this was an entitlement plan, and he would not. He had written about it and he had spoken clearly about it. He said it was an earned benefit and that he would not cut it. He understood how important it was to future generations. What we are addressing in these hearings is that Congress hasn't paid enough attention to Social Security to make sure it's actuarially sound. First and foremost, that is our obligation.

And as soon as 2034, we know that Social Security, about 15 years away, would face severe cuts. More than 62 million Americans are already receiving Social Security benefits. We have a responsibility to act and strengthen the program. Not to act, to do nothing is not an alternative here. It would amount to a 25 percent benefit cut to people in 2034. In other words, for a person who was making \$50,000 a year throughout their working career, they would actually be living at a poverty level in terms of benefits they would receive from Social Security after those cuts.

The choice is simple. We need to act bipartisanly, but we need to act. We have come to this endeavor to put our shoulders to the wheel and move the Nation and its people forward. Social Security is not an entitlement. It is the insurance that people have paid for. People know this and can check it out by just looking at their pay stub. They know that FICA stands for the Federal Insurance Contribution Act. Whose contribution? Theirs. They understand that they have paid into this throughout a lifetime.

It is not their fault that the Congress hasn't acted to make sure that Social Security is actuarially strong. It has been Congress' lack of attention that has put us in this place where we are. Nobody's getting rich off of Social Security. They are using these benefits to pay for essentials. This money goes straight back into the economy.

Consider a 2013 study commissioned by the AARP, which shows that Social Security benefit payments support more than 9 million jobs and add almost \$1.4 trillion in output to the overall American economy. For every dollar Social Security benefits generate, in return there is about \$2 in economic output. If we were to let the 25 percent reduction happen in 2034 because we didn't do anything to strengthen the program, it could cost the economy about 2.3 million jobs and \$349 billion in economic output. Doing nothing doesn't only impact beneficiaries; it would impact the entire economy.

Not only do we need to work to protect the program, but we need a solution to make the program, as actuaries say, "sustainably solvent;" in other words, making sure Social Security remains strong throughout this century, not just for seniors, but for millennials

too. Nowhere on the private insurance market can you find a plan like Social Security that offers a pension plan, disability insurance, and life insurance for spouses and dependents. This is the working American's retirement guarantee. It is why we say that Social Security has the full faith and credit of the United States Government.

For nearly two-thirds of beneficiaries, Social Security represents the majority of their income. For more than one-third, it represents more than 90 percent of their income. Our seniors are not a burden. I have heard so many people say to me, well, you know, I want to see this change, but I just don't want to be a burden on my family. None of us on this dais or out in this audience will look at any of their parents, their aunts, their sisters and say, you are a burden. In fact, they have been an inspiration. And one with that kind of courage and that kind of determination, oh, I don't want to burden my family, my son or my daughter, the one that lives in Montana or Texas, they send me what they can, but I don't want to be a burden. They are not a burden. They are citizens of the United States who have paid into a system that is Congress' responsibility to make sure is actuarially sound, and this Committee will do that.

Without Social Security, the senior poverty rate would be nearly 40 percent, but because of Social Security, the senior poverty rate is less than 10 percent. It isn't just the 10,000 baby boomers a day, according to economists at the Federal Reserve, on average—and if we could throw up that slide—households have not recovered. And this is an important issue for us. Households have not been able to recover the wealth they lost during the Great Recession 10 years ago.

Those 50 to 64 years old are worried about their immediate retirement. Social Security is a lifeline that people rely on. This should be a daunting statistic for all of us. When 90 percent of American families, working families, still find themselves underwater, on average, after the Great Recession, we have to make sure we are doubling down on our efforts to make sure the only guarantee, the only certainty they know that will be there for them is Social Security. And it is our responsibility to make sure that has happened.

As I discussed with both the Republican Leader and the Members here, we are going to have hearings. Someone suggested that we do a lot of informal bipartisan briefings as well. I think those are all good and constructive ideas. We are going to work together to come up with a product and a solution. And hopefully, we are able to work together to arrive at a solution and take action. But not to act is not an option. Hopefully, we are able to act together. But whether together or alone, this Committee will act to move Social Security forward.

And with that, I recognize my good friend and Republican Leader, Tom Reed.

Mr. REED. Thank you, Mr. Chairman. And thank you for those words and that commentary. I think my comments today will echo much of what you said.

So, Mr. Chairman, I thank you for holding this hearing today on a topic we can all agree upon, strengthening and protecting Social

Security. This is an important topic to all Americans and more helpful to the average American than efforts by many on the other side of the aisle to rush to impeach the President.

Mr. Chairman, today I want to tell you the story of Betty. Her picture is up on the—we will give the technical people an opportunity to pull that up.

To tell you the story of Betty, at age 14, Betty was diagnosed with rheumatic fever and told she would not live a long life and would never have children. But she grew strong, healthy, and married a decorated World War II veteran—also depicted here today.

Chairman LARSON. She looks a lot like you, Tom.

Mr. REED. I think she does, but with hair.

He was a career military officer who received the Silver Star medal after being wounded saving the lives of his platoon pinned down by Nazi machine gun fire with only a sidearm pistol.

Together, Betty and her husband, Thomas, had 12 beautiful and healthy children, but tragedy struck when Thomas was only 48. He died when their youngest child was just 2 years old, leaving Betty to raise all 12 kids on her own. How did Betty have the confidence that she would not have to raise her children on the streets? Social Security.

But that was just a piece of the puzzle. She also relied on her husband's military retirement and life insurance death benefit. Betty worked with what she had to put food on the table, a roof over her children's head, and clothes on their back. Using a part of the life insurance proceeds she bought a neighborhood house she could rent out to generate extra monthly income, because she recognized the Social Security check was not going to be enough to provide the quality of life she wanted for her children.

To further provide for her family, she went to work in the local vineyards and babysat for many families in the area, I believe relying on under-the-table cash payments for day wages, because she could not afford to pay the taxes on the income or lose those benefits. She also brought her youngest son along with her to work, because that was the only form of daycare she could afford.

Mr. Chairman, that youngest son was me, Tom Reed. Betty Barr Reed was my mother. And like my family, many Americans rely on earned Social Security benefits when a family member reaches retirement age, faces a work-limiting disability, or passes away.

As we sit here today, it is without a doubt, as the Republican Leader of Social Security, I care deeply about ensuring Social Security is here today, here tomorrow, and here for generations to come. And I guarantee my fellow Republicans on this Subcommittee, Mr. Chairman, are also committed to Social Security and ensuring the program is solvent for every generation. The difference, however, with the Majority is we can secure these benefits without tax increases.

Our principles in this mission are simple: Long-term economic growth by encouraging work, not penalizing it; equal treatment for public servants; acting now to defend those future generations' benefits; and protecting the most vulnerable people through focus reforms.

Mr. Chairman, you might have noticed our principles spell out the acronym LEAP. That is because Republicans want to leap with

you on a bipartisan basis so we can all make sure Americans can count on Social Security to be there for them, for their children, and their many grandchildren to come.

And as we know from history, successful Social Security reform only has a fair chance to succeed if it is done on a bipartisan basis. And we agree with you, Mr. Chairman, we cannot wait until the brink of the crisis as Congress did in 1983 to act because the abyss will be too deep at that point to overcome. The time to act is now.

So, Mr. Chairman, let's leap together today to answer this historic call for leadership in a town often lacking such courage, even when it is so clearly needed. We do this so all Americans will have the peace of mind knowing they can count on Social Security to provide the security it did for that little girl, that young lady who became my idol and we lost too early at the age of 72, and my greatest inspiration, Betty Barr Reed.

Thank you, Mr. Chairman, and we stand ready to get to work.

Chairman LARSON. I thank the Republican Leader, and it is going to be our endeavor to make sure that Betty is proud of what this Committee and Subcommittee does.

And this is a historic moment. The last time this Committee acted was in 1983. Ronald Reagan was the President of the United States. Tip O'Neill was Speaker. The Republicans controlled the Senate, the Democrats controlled the House, the Republicans controlled the Presidency. It was no different than it is today, except Ronald Reagan was adamantly opposed to advancing Social Security. He was convinced by leaders like Tom Reed and others that this was the right thing to do for the American people, and they did.

President Trump, to his credit, has already made that statement. Now what we have to do is bring everybody together, so that mothers in a similar situation to that of Betty are able to do that. And we have a panel that has been assembled that are capable of doing just that, and we are anxious to hear their testimony and get on with the questions. I am going to introduce all of them and then start.

First, I would like to welcome Joan Ruff of the AARP. Next is Kate Farrar of Connecticut's Women's Education and Legal Fund, from my home State of Connecticut. After that, we have Dr. Maya Rockey Moore Cummings, no stranger to this Committee, no stranger to the Nation, who is in charge of Global Policy Solutions. Then we have Joseph Semprevivo—did I pronounce it right?

Mr. SEMPREVIVO. Yeah, that is close enough.

Chairman LARSON. Mr. Semprevivo is with Joseph's Lite Cookies. Next is Yanira Cruz of the National Hispanic Council on Aging. And finally, Ilana Boivie, of the International Association of Machinists and Aerospace Workers, representing the AFL-CIO.

Ms. Ruff, would you begin.

**STATEMENT OF JOAN RUFF, CHAIR, BOARD OF DIRECTORS,
AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP)**

Ms. RUFF. Thank you.

Good morning. On behalf of AARP's 38 million members and all Americans age 50 and over, we thank you, Chairman Larson, you, Ranking Member Reed, and all Members of this Subcommittee, for

this opportunity to testify today on the importance of Social Security, not only to retirees, but also disabled workers, families, and the American economy. AARP has members in every State and every American territory, including, Mr. Chairman, over 115,000 members in your congressional district and, Ranking Member Reed, more than 114,000 members in your 23rd Congressional District of New York.

As was pointed out, the last time that major amendments to Social Security were made was in 1983. Since then, we have to recognize that the availability of defined benefit pensions offered to workers has declined by more than 70 percent. And as I am sure you know, today, most workers who have a workplace retirement plan are in a 401(k) or similar type of plan and are, therefore, subject to vagaries of the market. And half of all employees have jobs that offer absolutely no retirement plan at all.

Social Security is the only lifetime, inflation-protected, guaranteed source of retirement income that most Americans have. I want to share with you what Lottie Prushinski, who is an AARP member from Southington, Connecticut, told us about how important Social Security is to her. And this reflects the sentiments of millions of Americans.

“During my working years, which started when I was 16, I paid into the Social Security system until I retired. Being at the very low end of the middle class, without my Social Security benefits, my income would be below the poverty level. I want to continue to live with dignity and financial independence and not rely on others. My current Social Security benefits allow me to do that.”

Without Social Security, nearly four in ten Americans 65 and older, like Lottie, would be living in poverty. Nearly one in four women ages 65 and older are part of families that receive at least 90 percent of their income from Social Security. The reliance on this program in minority communities is even more pronounced.

It is no wonder that in an AARP poll that we conducted last year, respondents across three generations overwhelmingly said that Social Security is very important to their retirement; 64 percent of millennials, 79 percent of Gen Xers, and 90 percent of baby boomers.

In addition to anchoring the income of older Americans, Social Security provides economic security for families who face a loss of income because of disability or the death of a wage earner. It is extremely important to AARP’s members that Social Security provide adequate benefits, not only for them, but also for their children and grandchildren.

The Social Security trustees have made it very clear, and AARP will continue to stress that Social Security has enough funding to pay 100 percent of benefits until 2034. It is also true, unless Congress acts, benefits will be reduced by 21 percent, beginning in 2034 and through the end of the century. A cut this deep would result in severe hardships for millions of Americans, especially considering how modest benefits are now today.

Older Americans believe Congress and the White House need to take action so that hard-working Americans receive the full benefits they have earned and that Social Security will continue to be there for our children and grandchildren. That is why AARP con-

sistently asks candidates and lawmakers to share their plans for the future of Social Security. Our members' enthusiasm to hear from candidates and lawmakers on this topic is strong.

During the 2016 election cycle alone, we collected 1.4 million petitions, had phone calls with 2.5 million members, and nearly 26 million people took action on social media. Clearly, AARP members want to engage on this very critical topic.

Social Security has evolved over more than 80 years to address emerging needs and to adapt to new realities. We see today's hearing as an important opportunity to start a constructive and expansive dialogue on the future of Social Security and how best to update the program so that it better reflects changes in demographics, longevity, pensions, work patterns, health, and technology.

And we commend you, Mr. Chairman, for your leadership in developing a detailed proposal to strengthen Social Security for the next 75 years. And we hope all Committee Members will share their ideas for the program's future with our members and the American public. AARP recognizes that your challenge lies not only in identifying the most effective policies to improve the lives of Americans, but also to secure the kind of bipartisan consensus and public support that long-lasting solutions demand. We at AARP offer our support as you engage the public and develop that consensus. And we commit to you that we will have an open dialogue with our members on this vital topic.

Again, thank you, Chairman Larson and Ranking Member Reed, for inviting us to share our views.

[The prepared statement of Ms. Ruff follows.]



**TESTIMONY
BEFORE THE
HOUSE WAYS AND MEANS
SOCIAL SECURITY SUBCOMMITTEE**

**Protecting and Improving Social Security:
Enhancing Social Security to Strengthen the Middle Class**

March 12, 2019

**AARP
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Submitted By

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On behalf of our 38 million members, and all Americans age 50 and over, AARP thanks Chairman Larson, Ranking Member Reed, and members of the Social Security Subcommittee, for the opportunity to testify today on the importance of Social Security. AARP has members in every state and American territory, including 115,662 members in the first congressional district of Connecticut and 114,360 members in the twenty-third congressional district of New York. AARP appreciates the opportunity to testify today on some of the significant issues surrounding the current and future state of retirement security of American workers and their families, and more broadly, on the important contributions Social Security makes to families, beyond providing the critical foundation of retirement income for Americans.

The Retirement Income Gap

The gap between the financial assets Americans will need to maintain their standard of living in retirement and what they actually have or are on track to acquire strongly suggests that the retirement security of millions of Americans will increasingly depend on Social Security. For more than half a century, a secure retirement in the United States centered on reliable income from three sources, the so-called “three legged stool” of retirement – employer-provided defined-benefit pension plans, personal savings, and Social Security. Together, these sources of income offered a stable financial future. Unfortunately, diminishing pensions and inadequate retirement savings – coupled with longer life expectancies –endangers the dream of a secure retirement for millions of Americans, and requires Social Security to play an even greater role in the lives of older Americans.

Defined-benefit (DB) pension plans once dominated the employment landscape. In 1983, roughly 60 percent of workers with an employer-sponsored retirement plan had a DB pension plan; by 2016, however, just 17 percent of workers with a workplace retirement plan had a DB pension.¹ At the same time that fewer workers have been offered a pension with guaranteed lifetime income, more workers have been offered defined contribution (DC) plans – such as 401(k) plans -- to save for their retirement. In 1983, only 12 percent of workers offered a workplace retirement plan were exclusively offered a DC plan, but by 2016, 73 percent of workers offered a workplace retirement plan were only offered a DC plan.

The switch from DB to DC plans has important implications for retirement security. First, employees now assume the responsibility of determining if and how much to save, and managing their retirement funds, even if they have little or no investment experience. Second, it is quite possible to outlive the savings in a DC plan because of the uncertainty of when one will die. Third,

¹ Center for Retirement Research (2018), “Workers with Pension Coverage By Type of Plan, 1983, 1998, and 2016,” <http://crr.bc.edu/wp-content/uploads/2015/10/figure-16.pdf>.

despite the increased use of DC plans, financial experts generally agree the income they generate may not fully compensate for the loss of employer-provided DB pensions.²

Making matters worse, workers who only have access to a workplace savings plan are not saving enough to significantly contribute to a secure retirement. For middle-income households ages 55-64 with a DC plan or Individual Retirement Account (IRA), the median balance is roughly \$100,000, not nearly enough to ensure a secure retirement, especially given that the average number of retirement years has increased markedly from 12 in the 1960s to almost 20 today.^{3 4} It is no wonder that surveys persistently show that Americans do not feel financially prepared to retire. A recent Center for Financial Services Innovation poll, funded in part by AARP, found that only 18% of respondents felt very confident they could meet their long-term financial goals, including retirement.⁵

Of course, access to a workplace retirement plan is better than none at all. Remarkably, just over half of all workers in the United States are in jobs with no retirement plan, and they are more likely to be less educated, part-time, and lower-paid workers.⁶ Overall, the share of the workforce covered by retirement plans is 51 percent as of 2013, a percentage that has remained largely unchanged over the past three decades.⁷ While these workers still could contribute to an IRA to save for their future, few actually do. For example, only about one worker in 20 with earnings of \$30,000 to \$50,000 a year and no access to a payroll deduction plan contributes to an IRA consistently.⁸

Social Security's Critical Role as an Income Source for Millions of Americans

As a result of the diminishing presence of DB pensions and the uncertainty and volatility of personal retirement accounts and private assets, even those lucky enough to have access to a workplace retirement plan are more likely than ever to find that Social Security is the only guaranteed income stream they will not outlive during their retirement. Unsurprisingly, in an

² Center for Retirement Research (2015), "Investment Returns: Defined Benefit vs. Defined Contribution Plans," https://crr.bc.edu/wp-content/uploads/2015/12/IB_15-211.pdf.

³ Center for Retirement Research (2018), "401(k)/IRA Balances for Median Working Household with a 401(k)/IRA Age 55-64, By Income Quintile, 2016," <http://crr.bc.edu/wp-content/uploads/2015/10/Table-17.pdf>.

⁴ Center for Retirement Research (2018), "Average Years in Retirement, 1962-2050," <http://crr.bc.edu/wp-content/uploads/2015/10/figure-10.pdf>.

⁵ Thea Garon, Andrew Dunn, Katy Golvala, and Eric Wilson (2018), "U.S. Financial Health Pulse: 2018 Baseline Survey Results," Center for Financial Services Innovation, <https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2019/02/25191008/Pulse-2018-Baseline-Survey-Results.pdf>.

⁶ Center for Retirement Research (n.d.), "Pension Participation of All Workers, By Type of Plan, 1989-2016," <http://crr.bc.edu/wp-content/uploads/2015/10/Pension-coverage.pdf>.

⁷ Craig Copeland (2014), "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013," Employee Benefit Research Institute (EBRI), Issue Brief 405, p. 27, Washington, DC.

⁸ https://www.ebri.org/pdf/briefspdf/EBRI_IB_405_Oct14_RetPart.pdf.

⁹ Employee Benefit Research Institute (2006), Unpublished estimates of the 2004 Survey of Income and Program Participation Wave 7 Topical Module.

AARP poll conducted last year, respondents across three generations overwhelmingly said Social Security is very important to their retirement security: 64 percent of Millennials, 79 percent of Gen-X respondents, and a full 90 percent of Baby Boomers agreed with that view.

Social Security is the only lifetime, inflation-protected, guaranteed source of retirement income that most Americans will have. It is the foundation of retirement security that keeps millions of older Americans out of poverty and allows them to live independently. But Social Security also provides some measure of economic security for families who face a loss of income because of the disability or the death of a wage earner. We often do not think of Social Security as a family income protection plan—yet that is exactly what it is.

Social Security was first conceived as a way to protect older Americans from spending their final years in poverty. Congress initially instituted a monthly benefit that would pay income support to a worker in retirement and ensure that the worker could not outlive his savings. The program has evolved over its more than 80 years to protect against a variety of risks. Today's workplace -- and its participants -- are vastly different than the one Congress had first envisioned in 1935, and Social Security has been updated several times to account for these changes and risks.

Social Security was first amended in 1939 to insure against the risks faced by the spouse and children of workers. At a time when men were generally the sole breadwinners for the family, and women were largely excluded from the workforce, these new spousal and survivor benefits protected wives and children in the event that the husband died during his working years. Although women's roles in the workplace have grown, this spousal and survivor benefit still provides vital support to families. Today, roughly one of every six beneficiaries is a spouse, survivor or child of a worker. Nearly 6 million survivors of deceased workers obtain Social Security benefits, and another 4.7 million spouses and children of retired and disabled workers obtain benefits based off the work record of the family's main breadwinner.

In 1956, Congress expanded Social Security to protect against the risk that a severe disability would prevent a person and his family from earning the income needed to live. Disability insurance now serves as a key backstop for all workers who have contributed into the system to receive support should they be unable to earn an income due to a severe medical impairment. Today, roughly 8.7 million workers -- or one in seven Social Security beneficiaries -- receive disability benefits.

In 1972, Congress added additional protections for all Social Security beneficiaries by requiring annual benefit adjustments to help ensure benefits keep pace with the cost of living. This cost-of-living adjustment, or COLA, protects all Social Security recipients from the risk that the cost of goods will increase faster than their benefits and make it difficult for them to make ends meet.

In January of this year, Social Security recipients received a 2.8 percent rise in their benefit checks based on the increase in certain consumer goods during the prior year.

Admittedly, most Americans do not see Social Security as lifetime insurance. They look to it as a source of retirement income that they have invested in via payroll taxes during their working lives. It is an earned benefit, but it is not structured like a savings account or a 401(k) plan. Social Security benefits are calculated through a formula that helps protect the most vulnerable members of our society. This progressive benefit formula ensures that those with low lifetime earnings receive proportionately larger annual benefits. About half of those 65 and older depend on Social Security for the majority of their retirement income, and roughly one quarter of those 65 and older rely on the program for all or nearly all of their income in retirement.

Lottie Prushinski, AARP member from Southington, Connecticut, shared her story, which reflects the experience of millions of other Americans:

My Social Security benefits are the major source of my retirement income. I also have a very, very small pension, and retirement IRA. These together allow me to live on my own without any government assistance. During my working years which started when I was 16, I paid into the Social Security system until I retired. Being at the very low end of the middle class, without my Social Security benefits that I earned while working all those years, my income would be below the poverty level. I want to continue to live with dignity and financial independence and not rely on others. My current Social Security benefits are allowing me to do this.

A story just like Lottie's is heard every day, in every AARP state office and local chapter. As Rehana Stanley, the AARP Chapter President for Elmira, New York, stated for today's hearing:

Elmira is one of two American cities in the nation that is still in recession. I dare say, without question, that most of our members rely on Social Security income for daily survival. Many of our members have small or non-existent company pensions and have Social Security as the sole source of income. Our members are a hard working lot and have paid into the Social Security System their entire lives until they retired. They have earned the right to receive their payment and are grateful for a system that pays them back for a lifetime of sweat equity.

Social Security plays a crucial role in the financial security of millions of Americans. It has proven to be the most effective policy for reducing poverty among older people, particularly for women and racial and ethnic groups who are more likely to have had lower wages and less likely to have pensions. Without Social Security, nearly four in ten Americans 65 and older would live below poverty; that number drops to one in ten after Social Security lifts more than 15 million older Americans above the poverty line. Nearly one in four women ages 65 and older live in

families that receive at least 90 percent of their income from Social Security. The reliance in minority communities is even more pronounced; nearly 38 percent of African American women in families receiving benefits rely on Social Security for almost all of their income, and more than 31 percent of older Hispanic women do the same.

The Future of Social Security

Social Security is clearly the cornerstone of American financial security in retirement. It is extremely important to AARP's members that it will provide adequate benefits not only for them, but also for their children and grandchildren. While the Social Security Trustees have made clear, and AARP will continue to emphasize, that Social Security has enough funding to pay 100% of benefits until 2034, and it is also true that unless Congress acts, benefits could be reduced by 21% beginning in 2034 and through the remainder of the century. A cut like this would result in severe hardships for millions of people across the country, especially considering how modest benefits are now. It is critical to remember that the average monthly check for a retired male worker is \$1,565; and for a retired female worker, it is even less, only \$1,244.

AARP's membership believes it is the responsibility of Congress and the White House to take action so that hardworking Americans receive the benefits they have earned. That is why AARP has in the past few years made a campaign of asking lawmakers to share their plans for the future of Social Security. We want to commend the Chairman for his leadership in developing a detailed proposal to strengthen Social Security for the next 75 years, and we invite all members of the committee to also share your proposals to secure the future of the program with our members and the American public.

American workers paying into Social Security deserve an honest debate and civil discussion about its future. Our members' commitment to ensure the future of Social Security and their enthusiasm to hear from candidates and lawmakers on this topic is revealed by the breadth of engagements our campaigns have generated. During the 2016 election cycle alone, AARP collected 1.4 million petitions through our state offices and direct mail asking candidates to share a plan for Social Security's future, and 418,000 online activists took 615,000 actions telling candidates and Members of Congress about the importance of Social Security in their lives. We engaged 2.5 million members in phone conversations regarding Social Security during the election season, and those phone conversations complimented nearly 7 million pieces of mail sent to likely AARP voters about Social Security during the 2016 election. Nearly 134 million people saw AARP social media Tweets about Social Security during the 2016 election, and almost 26 million people took action on those Tweets, including sharing Tweets and Facebook posts. Clearly, AARP's members want to engage on the topic of Social Security's future.

Today's hearing is an important opportunity to start a constructive dialogue on the future of the program. As noted earlier, Social Security has evolved over its more than 80 years to address emerging needs and adapt to new realities. You have an opportunity to continue updating the program, so that it better reflects changes in demography, longevity, pensions, work patterns, health and technology. We recognize the challenge lies in not only identifying the most effective policies to improve the lives of Americans, but also in securing the bi-partisan consensus and support of the public that long-lasting solutions demand. AARP offers you our support as you seek to engage the public and develop that consensus, and we commit to you an open dialogue with our members on this vital topic.

AARP would again like to thank Chairman Larson and Ranking Member Reed for the opportunity to share our views and those of our members on the important role Social Security plays, and will continue to play, in the lives of both current and future generations of Americans. The promise of Social Security has endured for over 80 years. It is a promise that AARP believes embodies our deepest values as Americans and is a lasting promise between one generation and the next. We are firmly committed to ensuring that this promise continues to endure for the next 80 years and beyond.



Chairman LARSON. Thank you, Ms. Ruff.

I should have also noted at the start that each of your statements will be part of the record in its entirety. I would ask that you summarize your testimony in 5 minutes or less. To help you with that, there is a timing light on your table. When you have 1 minute left, the light will switch from green to yellow, and finally to red when the 5 minutes are up.

But I thank you, Ms. Ruff, for your testimony.

And with that, Ms. Farrar, would you begin.

**STATEMENT OF KATE C. FARRAR, EXECUTIVE DIRECTOR,
CONNECTICUT WOMEN'S EDUCATION AND LEGAL FUND**

Ms. FARRAR. Good morning. Thank you, Mr. Chairman, Ranking Member Reed, and all Members of the Subcommittee, for this opportunity to testify today. I am Kate Farrar, Executive Director of the Connecticut Women's Education and Legal Fund. We are a statewide nonprofit organization that advocates for and empowers women and girls across Connecticut, especially those who are marginalized and underserved.

At CWEALF, we hear from women every single day who struggle financially and often rely on Social Security to make ends meet. Maggie, a 63-year-old retiree with several chronic health conditions from New Britain, Connecticut, says that she relies on her Social Security income to put food on the table. She says: I get scared when legislators talk about doing away with or privatizing Social Security. Please do not take away my Social Security.

Corella, a woman from Hartford, Connecticut, who suffers from epileptic seizures on daily medication says: I am afraid that if Medicare is reduced and I have to pay more for my medications, I just wouldn't be able to afford it. My only income is Social Security.

Social Security benefits are critical to support our Nation's women and keep them out of poverty. In 2016, nearly two-thirds of all people in poverty age 65 and older were women. Without the protection and expansion of Social Security, long-term economic stability is just unachievable for women.

According to the Institute for Women's Policy Research, a single elder without a mortgage living in Hartford County in Connecticut can expect to pay at least \$2,046 every month for basic living expenses. Yet the average Social Security benefit just in January 2019 was only \$1,461, nearly \$600 less than the retiree's necessary monthly living expenses.

While the protections of Social Security benefit men and women of all racial backgrounds and income levels, the program is particularly important for women, especially women of color, because women face many barriers in the workplace that hinder their ability to make a living wage and save for retirement. Despite impressive strides by women in the workplace, the gender wage gap is still 20 percent, with women earning only 80 percent of what men earn. The gender pay gap is even more significant for women of color. Plus, there are more than 15.3 million low-wage female workers who work without access to benefits such as leave and pensions. Also, women take leave or engage in part-time work more

than men, disproportionately shouldering caregiving responsibilities.

According to the Bureau of Labor Statistics, nearly twice as many women as men work part time, which typically means juggling child care, elder care, and other homefront duties.

One of the greatest factors contributing to financial hardship for women over 65 is the reality that many will spend at least a portion of their retirement years alone. Female life expectancy is currently 4.9 years longer than for males. The traditional three-pronged model for retirement of payments from Social Security, pensions, and private savings is unrealistic for most women. Women's economic security throughout retirement depends largely and oftentimes solely on Social Security benefits. Pensions and private savings are often unavailable and inadequate for women and their particular worklife patterns.

When Ida May Fuller received the first monthly recurring Social Security check in 1940, she could not have foreseen that the generations of women after her depend on Social Security to make ends meet. Now is the time for Congress to make sure that Social Security is protected and strengthened for years to come.

Thank you for the opportunity to testify today and elevate the voices of priorities of our Nation's and Connecticut's women. Thank you, Mr. Chairman.

[The prepared statement of Ms. Farrar follows:]



House Committee on Ways and Means, Subcommittee on Social Security
 Public Testimony of the Connecticut Women's Education and Legal Fund (CWEALF)
 Protecting and Improving Social Security: Enhancing Social Security to Strengthen the
 Middle Class

Submitted by: Kate C. Farrar, Executive Director
 March 12, 2019

The Connecticut Women's Education and Legal Fund (CWEALF) is a statewide, nonprofit organization that advocates for and empowers women and girls in Connecticut, especially those who are underserved or marginalized. For forty-five years, CWEALF has been a leader in the development of policy solutions that enhance women's economic security and combat discrimination in the workplace. CWEALF also provides legal education and legal advocacy services to individuals about family law and civil rights issues. The majority of CWEALF's clients are low-income women with at least one dependent.

At CWEALF, we hear from women every day who struggle financially and rely on Social Security to make ends meet.

Maggie, a 63-year old retiree with several chronic health conditions from New Britain, Connecticut says she relies on her Social Security income to put food on the table. She says, "I get scared when legislators talk about doing away with or privatizing Social Security. Please do not take away Social Security."

Corella, a woman from Hartford, Connecticut who suffers from epileptic seizures and relies on daily medication, says, "I am afraid that if Medicare is reduced and I have to pay more for my medications I wouldn't be able to afford it. My only income is Social Security."

And Annabel, from Hartford, pleads, "Instead of cutting Medicare and Social Security, we should be helping to grow these programs."

Social Security benefits are critical to support our nation's women and keep them out of poverty. In 2016, nearly two-thirds of all people in poverty aged 65 and older were women.¹ Without the projection and expansion of Social Security, long-term economic security is unachievable for women and their families.

¹ Juliette Cubanski, Wyatt Koma, Anthony Damico, and Tricia Neuman, *How Many Seniors Live in Poverty?*, HENRY J KAISER FAMILY FOUNDATION (Nov. 19, 2018), <https://www.kff.org/medicare/issue-brief/how-many-seniors-live-in-poverty/>.

It is fitting that it was the first woman to hold a U.S. cabinet post, Secretary of Labor Frances Perkins, who drafted the Social Security Act which aimed to provide workers economic security throughout their lives.² But, 83 years after the Social Security Act's passage, American women continue to be left behind and face greater barriers to economic security as they age.

Social Security is not just a retirement program; it is one of the most successful anti-poverty programs in our nation's history as it continues to provide benefits to children, families, disabled workers, surviving spouses, and retirees.³ Without Social Security, 22.1 million more Americans would live below the poverty line.⁴

Social Security is vital for the majority of Americans aged 65 and older that receive the majority of their income from Social Security. Currently, Social Security benefits lift 15.3 million elderly Americans out of poverty.⁵ Without Social Security benefits, nearly 40 percent of all elderly Americans would be living in poverty.⁶

Though the Social Security Act has contributed greatly to the American economy and our aging citizens' welfare, it does not go far enough to protect our retirees and their families. According to the Institute for Women's Policy Research, a single elder without a mortgage living in Hartford County can expect to pay at least \$2,046 every month for basic living expenses, including housing, health care, food and transportation; yet, the average Social Security benefit for January 2019 was only \$1,461, nearly \$600 less than a Hartford County retiree's necessary monthly living expenses. This means that retirees are forced to rely on savings, pensions and other sources of income just to afford basic needs. This discrepancy can be addressed by implementing an across-the-board minimum benefit raise to meet retirees' realistic and burdensome financial needs.

Social Security offers comprehensive economic security protection for our middle-class families because elderly Americans are not the only beneficiaries of Social Security. The program is also vitally important for families, children and people of color. Social Security provides more benefits to children than any other federal program and lifts 1.1 million children out of poverty.⁷ According to 2017 Census data, about 6.1 million children under the age of 18—or 8 percent of all U.S. children—live in families that receive income from Social Security.⁸

² *Social Security Pioneers*, SOCIAL SECURITY ADMINISTRATION, <https://www.ssa.gov/history/fperkins.html>.

³ *AAUW Issues: Retirement Security*, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN, <https://www.aauw.org/what-we-do/public-policy/aauw-issues/retirement-security/>.

⁴ Kathleen Romig, *Social Security Lifts More Americans Above Poverty Than Any Other Program*, CENTER ON BUDGET AND POLICY PRIORITIES (Nov. 5, 2018), <https://www.cbpp.org/research/social-security/social-security-lifts-more-americans-above-poverty-than-any-other-program>.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

On average, African American workers have higher disability rates, Latino workers have longer life spans, and both have lower lifetime earnings than white workers, which lead to disproportionate reliance on Social Security benefits. Without Social Security, the poverty rate would approach 50 percent among elderly Latinos and would exceed 50 percent among elderly African Americans.⁹

While the protections of Social Security benefit men and women of all racial backgrounds and income levels, the program is particularly important for women, especially women of color because women face too many barriers in the workplace that hinder their ability to make a living wage and save for retirement. Women are typically paid less than men for the same jobs; they live longer than men; they feel societal pressure to take time away from work or to work part-time to serve as their family's main caregiver; and, they are forced to spend money on the "pink tax"; all of which contribute to the minimization of women's bottom lines, dampening the amount they can save for retirement and limiting the amount they receive in pensions and Social Security benefits.

Despite impressive strides made by women in the workplace,¹⁰ the gender wage gap is still 20 percent, with women earning only 80 percent of what men earn. Social Security elevates 9.1 million elderly American women out of poverty,¹¹ but due to the gender wage gap, the amount of Social Security benefits are drastically reduced for women later in life. According to a 2016 National Institute on Retirement Security (NIRS) study, the income disparity can be as much as 25 percent for women over 65,¹² and the average Social Security benefit for women 65 and older is about \$14,270 per year, compared to about \$18,375 for men 65 and older.¹³

Though more and more women are the primary breadwinners for their families,¹⁴ women still struggle to overcome unconscious biases related to issues like family leave and stereotypes of men as the family providers and of women being limited to

⁹ *Id.*

¹⁰ Between 1975 and 2015, the number of women with children under 18 participating in the workforce increased by 23 percentage points (from 47 percent to 70 percent), and the number of women with college degrees increased 33 percentage points (from 14 percent to 41 percent). See Mark Dewolf, *12 Stats About Working Women*, U.S. DEP'T OF LAB. BLOG (Mar. 1, 2017), <https://blog.dol.gov/2017/03/01/12-stats-about-working-women>.

¹¹ Komig, *supra* note 2.

¹² See Press Release, *Women 80 Percent More Likely Than Men To Be Impoverished In Retirement*, NAT'L INST. ON RETIREMENT SECURITY, <https://www.nirsonline.org/2016/03/women-80-more-likely-to-be-impoverished-in-retirement/>.

¹³ *Women and Social Security*, NAT'L WOMEN'S L. CTR., <https://nwlc.org/resources/women-and-social-security/>

¹⁴ As of March 2017, women made up 47 percent of the workforce in the United States, owned close to 10 million businesses, and were the sole or primary breadwinners for 40 percent of families with children under 18. See Dewolf, *supra* note 10.

caregiving duties. Thirty-eight percent (38%) of the gap is unaccounted for and may only be explained by factors such as these stereotypes and unconscious biases.¹⁵

The role of women in the United States has transformed from predominantly being a caregiver, a wife and/or a mother, to being all of these things and a breadwinner. Women's increased participation in the workforce has helped bolster family economic security in every income group; but for low-income and middle-class families, women's contributions have made the key difference for families on the brink of poverty.

Women in the U.S. who work full time are paid only 80 cents for every dollar paid to their male counterparts.¹⁶ This gap in earnings translates into \$10,169 less per year in median earnings, leaving women and their families shortchanged.¹⁷ The gender pay gap is even more extreme for women of color: on average, African American women are paid 61 cents and Hispanic women are paid 53 cents to every man's dollar.¹⁸ Among Connecticut women who hold full-time, year-round jobs, Black women in our state are paid 58 cents, Latinas are paid only 47 cents and Asian women paid 80 cents for every dollar paid to white, non-Hispanic men. Overall, the women of Connecticut make just 83 cents to men.¹⁹

The wage gap widens as women reach the age when they have caregiving responsibilities for kids or aging parents. Nationally, women are the co- or main breadwinners in close to two-thirds of families with children, yet they earn, on average, significantly less than men.²⁰

On average, women employed full time in the United States lose a combined total of more than \$900 billion every year due to the wage gap²¹; Women working full-time in Connecticut lose a combined total of \$5.5 billion due to the wage gap.²² Lost wages mean women and their families have less money to spend on basic goods and household items; expenses that help drive the larger economy and spur economic growth. The gender wage gap persists regardless of industry or education level and exists within all occupations. Women often spend fewer years in the workforce and are more inclined to work part-time. Exiting and re-entering the workforce not only creates

¹⁵ *Connecticut Women and the Wage Gap: Fact Sheet*, NAT'L PARTNERSHIP FOR WOMEN AND FAMILIES (April 2017), <http://www.nationalpartnership.org/research-library/workplace-fairness/fair-pay/4-2016-ct-wage-gap.pdf>.

¹⁶ *Pay Equity & Discrimination*, INST. FOR WOMEN'S POL'Y RES., <https://iwpr.org/issue/employment-education-economic-change/pay-equity-discrimination/>.

¹⁷ *America's Women and the Wage Gap: Fact Sheet*, NAT'L PARTNERSHIP FOR WOMEN AND FAMILIES (April 2018), <http://www.nationalpartnership.org/our-work/resources/workplace/fair-pay/americas-women-and-the-wage-gap.pdf>

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Gender-Based Wage Gap in Connecticut: Issue Brief*, CONN. COMMISSION ON WOMEN, CHILDREN AND SENIORS, <https://ctwcws.files.wordpress.com/2017/01/wage-gap.pdf>

²¹ *Supra* note 17.

²² *Supra* note 15.

work gaps and pay discrepancies, it makes it challenging for women to find work and pay proportionate to their ability.

Social Security is especially important to women of color who tend to have fewer alternative sources of income, experience higher poverty rates, and earn less on average than men throughout their working years. Currently, there are more than 15.3 million low-wage female workers (making up more than two-thirds of the entire low-wage workforce) working for an unlivable wage without access to benefits such as leave and pensions. As of 2018, 21 percent of Black women, 20 percent of Native women, 18 percent of Latinx women, and 11 percent of Asian women lived in poverty.²³

Unlike men, most women are forced to take leave or part-time work because they often shoulder caregiving responsibilities. According to the Bureau of Labor Statistics, nearly twice as many women as men work part-time, and the vast majority of women work part-time for non-economic reasons,²⁴ which typically means juggling child care, elder care and other home-front duties. A study by the Families and Work Institute and the Society for Human Resource Management found that between 92 and 100 percent of the 1,000 firms surveyed offered paid leave to full-time workers, but the same was not true for part-time workers.²⁵ Barely one-third offered part-time workers paid vacation days and only about one in four offered paid sick days.²⁶

One of the greatest factors contributing to financial hardship for women over 65 is the reality that many will spend at least a portion of their retirement years alone. Female life expectancy is currently 4.9 years higher than for males and seven out of ten married American women will eventually become widows.²⁷ With longer life expectancies and a better chance of being alone during retirement, women often fall short of the income needed to carry them through old age.

The traditional three-pronged model for retirement, which consists of payments from (1) Social Security, (2) pensions, and (3) private savings, is unrealistic for most women. Women's economic security through retirement depends largely—and often times solely—on Social Security benefits. Women represent 55.6 percent of all Social Security beneficiaries age 62 and older and approximately 65 percent of beneficiaries age 85

²³ *National Snapshot: Poverty Among Women & Families, 2018*, NAT'L WOMEN'S L. CTR. (Sept. 2018), <https://nwlc-ciw49tixgw5l1bab.stackpathdns.com/wp-content/uploads/2018/09/National-Snapshot.pdf>.

²⁴ *Labor Force Statistics from the Current Population Survey*, U.S. DEP'T OF LAB. BUREAU OF LAB. STAT. (Jan. 18, 2019), <https://www.bls.gov/cps/cpsaat08.htm>.

²⁵ ²⁵ Brigid Schulte, *Women need time off from work the most but often get it the least*, WASH. POST (Feb. 25, 2015), https://www.washingtonpost.com/news/work/wp/2015/02/25/women-need-time-off-from-work-the-most-but-often-get-it-the-least/?utm_term=.85adb78984b3.

²⁶ *Id.*

²⁷ Marguerita Cheng, *The Gender Earnings Gap And Retirement*, FORBES (Jul. 12, 2018), <https://www.forbes.com/sites/margueritacheng/2018/07/12/the-gender-earnings-gap-and-retirement/#75ca2f537714>.

and older.²⁸ Pensions and private savings are often unavailable or inadequate for women and their work/life patterns. In fact, according to the U.S. Bureau of Labor Statistics, from 1980 through 2015, the proportion of private wage and salary workers participating in defined benefit pension plans fell from 38% to 15%.²⁹ And as of 2011, 60 percent of women worked in low wage positions that often do not offer pension plans – including clerical, sales, and service jobs.³⁰

Despite women's critical contributions to our economy, the wage gap and lack of paid leave legislation leaves women unjustly discriminated against and underpaid. As a result, women earn less in retirement savings, receive lower benefits from employer pensions, and are often forced to rely solely on Social Security payments.

Action by Congress is essential to secure American women's economic freedom and stability well beyond their time in the workforce. Our current system is not perfect, but Congressman Larson's Social Security 2100 Act does highlight several critical steps to address the program's insufficiencies.

No American who has participated in the workforce should retire into poverty. To protect retirees, the Social Security 2100 Act sets a new minimum benefit at 25 percent above the poverty line and will provide a tax break to over 12 million Social Security recipients.

The Social Security 2100 Act will also address the problem of inflation by improving the annual cost of living adjustment formula to better reflect the costs incurred by seniors. This provision will particularly help seniors who spend a larger portion of their income on health care and other necessities.

Millions of women and children depend on the Social Security Disability Insurance (DI). The DI Trust Fund is fully financed until 2023; however, at that point the Fund will be exhausted and contributions will only partially cover benefits.³¹ In order to ensure beneficiaries continue to receive Social Security's essential benefits and that the Trust Fund is fully financed, the Social Security 2100 Act will require millionaires and billionaires pay their fair share of the payroll tax, the same rate as everyone else. This provision would only affect the top 0.4% of wage earners, but would ensure solvency for the millions of women and children would rely on DI benefits.³²

The Act's across-the-board benefit increase and expansion of Social Security benefits is critical to ensure that women remain financially secure through retirement.

²⁸ *Fact Sheet: Social Security Is Important to Women*, SOCIAL SECURITY ADMINISTRATION (Aug. 2018), <https://www.ssa.gov/news/press/factsheets/women-alt.pdf>.

²⁹ Michael Molinski, *Disappearing pensions hurt U.S. economy as well as workers*, USA TODAY (Apr. 23, 2016), <https://www.usatoday.com/story/money/2016/04/23/pensions-economy-workers/83292892/>.

³⁰ *Women and Retirement Security*, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN, <https://www.aauw.org/files/2013/02/position-on-women-and-retirement-security-112.pdf>.

³¹ *Social Security Disability Insurance Is Vital to Women's Economic Security*, NAT'L WOMEN'S L. CTR., <https://nwlc.org/resources/social-security-disability-insurance-is-vital-to-womens-economic-security/>.

³² *Id.*

Strengthening social security will boost retirement security for low-wage workers, who are disproportionately women and people of color.

CWEALF also recommends the modernizing of Social Security to account for the changes in women's lives including a caregiver credit. Such credits – which sometimes cover caring for an elderly relative as well as a child – are common in other developed countries.

The protection and expansion of Social Security reflects CWEALF's mission to protect and advance the economic wellbeing of women and it an important step forward to protect our diverse, aging workforce. When Ida May Fuller received her first monthly recurring Social Security check in 1940, she could not have foreseen the generations of women after her that depend on Social Security to make ends meet. Now is the time for Congress to make sure that Social Security is strengthened for years to come.



Chairman LARSON. Thank you, Ms. Farrar.
Now, Dr. Rokey Moore Cummings, if you would testify.

STATEMENT OF MAYA ROCKEYMOORE CUMMINGS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, GLOBAL POLICY SOLUTIONS

Ms. CUMMINGS. Good morning, Chairman Larson, Ranking Member Reed, and Members of the Ways and Means Committee, Social Security Subcommittee. I am delighted to speak to you today on an issue that is so important for all Americans of all backgrounds and at every stage in life.

Social Security is our Nation's ultimate family-values program, providing income protections for people at every stage of life, including those who have retired after a lifetime of hard work, adults who have become disabled in their prime working years, dependents of deceased workers, and the dependent family members of seniors and disabled workers.

I would like to place a laser focus on how Social Security especially helps vulnerable groups whose opportunities for economic success have been diminished by longstanding racial and ethnic, economic and health disparities that stem from a legacy of social, economic, and political discrimination in our country.

African American retirees, for example, have significantly less wealth and lower incomes than White retirees. Eighty-three percent of African American seniors lack the retirement assets they need to last the remainder of their lifetimes. Additionally, more than two-thirds of the African Americans are liquid asset poor, meaning that their combined assets alone are not enough to make ends meet.

So Social Security becomes an essential component of their retirement, with over 46 percent of African American seniors age 65 and over relying on Social Security for at least 90 percent of their income, compared to only 30 or 35 percent for Whites.

Well-documented health disparities also contribute to disproportionately greater incidents of disability, as well as shorter life expectancies for African Americans. So Social Security's disability and survivor benefits become an essential tool for helping African American families make ends meet when faced with these life-altering events.

Case in point, disability insurance benefits made up about 75 percent of personal income for 50 percent of African Americans receiving them in 2013. And while 28 percent of African Americans receiving disability insurance benefits in that year lived in poverty, that number would have jumped to 57 percent if they didn't have Social Security disability benefits.

Social Security is also essential for African American children and their families. A 2016 study conducted by my organization found that Social Security made up 39 percent of the annual income for White families with children, but accounted for almost half the income, 45.6 percent of African American families with children in 2014. For African American child beneficiaries, the poverty rate would increase from 40 percent to 58 percent without Social Security.

I would like to end by focusing on widely discussed proposals for reining in Social Security's costs. Despite lofty rhetoric touting the need for deficit reduction and claims of saving Social Security for our children, these so-called entitlement reforms are a covert form of racial economic exclusion that will have the effect of undermining the already economically insecure state of families of color, who are a growing share, by the way, of our Nation's population.

For those who believe that race has nothing to do with Social Security, think again. Although the programs benefit formula is race neutral on its face, in reality, Social Security effects groups of people in different ways because of the interplay between program rules and demographic factors. For example, benefits are calculated based on years of work and amount of earnings, marital status, number of dependents, and state of health, but each racial and ethnic group has a different average work history, earnings pattern, health status, and life expectancy profile due to the long shadow of racial inequality in our country. African Americans, for example, are more likely than Whites to have suffered unemployment, to be in lower paying jobs, to be in physically demanding jobs, to have poor health, and to have shorter life expectancies.

As a result of these socioeconomic disparities, proposals for reforming Social Security can create winners and losers based on race, ethnicity, class, and gender. For example, raising the retirement age disadvantages those with shorter lifespans, a group that is blacker, browner, poorer, more male, and more blue collar than those who live longer.

So there is a fairer way to reform Social Security, and I will be happy to talk about that in the questions and answers. Our plan focuses on boosting benefits across the board by raising the cap on payroll taxes and offering coverage to all newly hired State and local workers, as well as increasing the payroll tax by a fraction of a percentage over a 20-year period.

Mr. Chairman and Ranking Member, thank you for giving me the chance to share my views today.

[The prepared statement of Ms. Cummings follows:]

STATEMENT OF MAYA ROCKEYMOORE CUMMINGS
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SOCIAL SECURITY SUBCOMMITTEE

Tuesday, March 12, 2019

Protecting and Improving Social Security:
Enhancing Social Security to Build a Diverse and Thriving Middle Class

Good morning Committee Chairman Larson, Ranking Member Reed and members of the United States Ways and Means Committee, Subcommittee on Social Security. I am delighted to speak to you today on an issue that is important to American families of all backgrounds and at every stage of life.

Mr. Chairman, I request that the entirety of my written testimony be entered into the record of the hearing.

My name is Maya Rockey Moore Cummings, I am President and CEO of Global Policy Solutions, a certified B Corporation and social change strategy firm whose mission is to drive society toward inclusion. I hold a Ph.D. in political science with a specialty in public policy and have been a practicing policy analyst and researcher for more than 20 years. A former professional staffer on the House Ways and Means Social Security Subcommittee, I currently chair the board of the National Association of Counties Financial Services Corporation and serve as the co-chair of the Commission to Modernize Social Security. I am a former board member of the National Committee to Preserve Social Security and Medicare, National Academy of Social Insurance, Economic Policy Institute, and the National Council on Aging.

SOCIAL SECURITY PREVENTS POVERTY AND HELPS BUILD A DIVERSE MIDDLE CLASS

U.S. society is structured in a manner that consistently benefits certain population groups while disadvantaging others. This societal sorting is based on social hierarchies that play out within intersecting variables such as race, ethnicity, wealth, income, gender, age, and ability and is implemented through governmental, economic, labor market, educational, social, and real estate policies and practices. As a result, the class status and economic vulnerability of discrete demographic groups--such as African American, LatinX, Native American, female, disabled, low income and/or from certain Asian American ethnic subgroups who are consistently at the bottom of the socio-economic scale over time--can still be predictably identified despite more than a half century of policies intended to mitigate the effect of social and economic bias in American life.

Without a generational economic base from which to become secure and grow, people in these groups are extremely vulnerable to the ill effects of poverty, poor health, disability, and disenfranchisement. Their vulnerability is compounded at stages of life—specifically childhood and old age—when they are least able to leverage their labor to earn income and build wealth. As a result, they are also very dependent on social protection policies and programs that seek to counter economic insecurity.

Since 1935, Social Security has been one of the United States' most effective and efficient anti-poverty programs. Originally intended to provide older adults with income after retirement, Social Security has since evolved to provide income protections for people at every stage of life including adults who have become disabled in their prime working years and the dependents of deceased workers. Dependent family members of seniors and disabled workers are also eligible to receive support.

Elements in the design of Social Security are of particular importance to vulnerable groups, including a check that retirees can receive for the rest of their lives, a progressive benefit formula geared towards providing a greater percentage of pre-retirement or pre-disability earnings to those with lower incomes, and a check that child dependents can receive through the end of their high school education or the age of 19, whichever comes first.

Although Social Security accounts for the bulk of retirement wealth for 70% of Americans, people of color are more heavily reliant on its benefits because they are least likely to have significant sources of wealth outside of Social Security upon retirement.[1] In addition to well-documented racial and ethnic disparities in income, the racial wealth gap—rooted in social discrimination—reflects disparities in receipt of private pensions, investments, savings, inheritances, and homeownership.

Given these income and wealth disparities, it is no wonder that beneficiaries of color are more reliant on Social Security than whites. Social Security is the primary source of retirement income for older people of color, with over 25% of African Americans and Latinos depending on it for more than 90% of their family income; it is the only source of income for two out of every five Latino and African American retiree beneficiary households.[2]

Women and men of color face unique circumstances that make them more vulnerable to extreme poverty and more reliant on Social Security as they age. Disproportionately lower earners—even more so than white women and men of all races and ethnicities, women of color are more likely to have worked in low-wage and part-time work during the course of their working years.[3] African-American women are also disadvantaged because they are the least likely to ever be married and so they are more unlikely to have experienced the advantages of living in a dual earning household.[4] Divorced women and women who have never married have the highest rates of poverty.[5] Without Social Security, more than two-thirds of unmarried elderly women would fall into poverty.[6]

The vulnerability of men of color primarily stems from their labor market disadvantages. African American, Latino, and Native American men tend to experience higher unemployment rates and lower wages over the course of their working lives when compared to white and Asian men from certain subgroups. Higher unemployment rates among men of color, especially during their teens, mean that they are more likely to have years of zero earnings that will be counted against them in the determination of Social Security benefit levels.[7] As a result, disparities in Social Security income among men of different racial and ethnic subgroups reflects these wage differentials.

Even though its benefits may not be lavish, the fact that Social Security income can keep members of vulnerable populations out of poverty is well known. Nevertheless, Social Security is more than an anti-poverty program, it is also a public asset that can help preserve and build private wealth. The program helps to preserve wealth by making benefits available to all eligible workers without a means testing requirement. Essentially, workers are not required to spend down or eliminate assets as a condition for receiving benefits. This function is just as important for wealth preservation among middle class families as it is for families with little wealth, regardless of the racial or ethnic background of a beneficiary.

Social Security also helps younger workers build a pathway to the middle class by alleviating the financial burden of supporting aging, disabled or orphaned relatives. As an independent source of income for individuals who would otherwise be financially dependent on their children or relatives, Social Security plays a significant role in boosting the living standards of younger working families.

[1] Kijakazi, K. (2002). *Low-Wage Earners: Options for Improving Their Retirement Income*. In D. Salisbury, P. Larson, & P. Edeman, *The Future of Social Insurance: Incremental Action or Fundamental Reform*. Washington, DC: National Academy of Social Insurance.

[2] Leigh, W. (2011). *African Americans and Social Security: A Primer*. Washington, DC: Joint Center for Political and Economic Studies. NCLR calculation using Social Security Administration, "Income of the Population 55 or Older, 2008," Table 9.A3.

[3] Hartmann, H., & Lee, S. (2003). *Social Security: The Largest Source of Income for Both Women and Men in Retirement*. In S. Lee, & L. Shaw, *Gender and Economic Security in Retirement*. Washington, DC: Institute for Women's Policy Research.

[4] U.S. Census Bureau. 1998. *Marital Status of Persons 15 Years and Over, By Age, Sex, Race, Hispanic Origin, Metropolitan Residence, and Region: March 1998*. Table 1.

[5] Institute for Women's Policy Research. (2011). *Six Key Facts on Women and Social Security*. Washington, DC: Institute for Women's Policy Research.

[6] Ibid.

[7] Spriggs, W. E. (2004, Nov/Dec). *African Americans and Social Security: Why the Privatization Advocates are Wrong*. *Dollars & Sense*, pp. 17-19.

Social Security's vital insurance function also helps to alleviate the financial burden of the racial wealth gap. This is because Social Security provides protection against the risks in life that could be financially ruinous when people do not have enough savings to cover their cost of living in the event of a disability, retirement, or the death of a primary wage earner.

Finally, Social Security is itself a wealth accumulation mechanism because it represents a "pay it forward" form of savings that allows workers and/or their dependents to tap into important income replacement benefits at critical moments over the course of their lives. Essentially, the Social Security payroll tax collected from the paychecks of workers represents a mandated savings program in which taxes are pooled in the OASDI trust funds and used to finance benefits for current and future survivors, disabled workers, and retirees. Although U.S. courts have determined that workers cannot claim ownership of Social Security benefits, they remain the greatest asset available to many low-wealth workers.

Social Security's reliable benefits would be unaffordable for many if offered in the private market. For example, the value of the life insurance provided to survivors through Social Security is over \$433,000, and the value of disability protection for a young disabled worker with a spouse and two children is more than \$414,000.[8] Additionally, the program's progressive benefits replace a larger percentage of a lower earning worker's pre-retirement income and its steady, inflation-adjusted benefits are important for protecting the purchasing power of workers and their families over time.[9] This structure allows Social Security income to address some of the persistent effects of job discrimination and segregation, like racial income inequality.

SOCIAL SECURITY HELPS A GROWING NUMBER OF DIVERSE CHILDREN & FAMILIES*

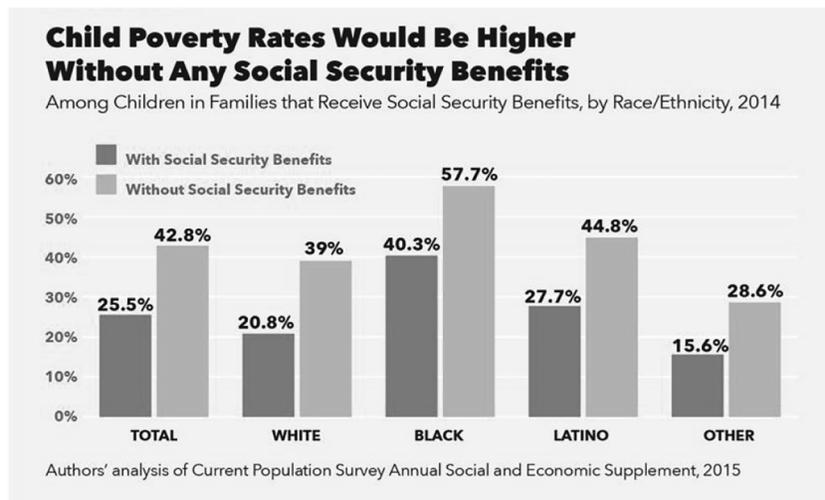
As household incomes have stagnated or declined over the past few decades, Social Security income has become an even more important component of financial resources for families with children who receive benefits.

[8] National Committee to Preserve Social Security and Medicare. 2010. Social Security Primer. Washington, DC.

[9] Ibid.

*This section is excerpted from:

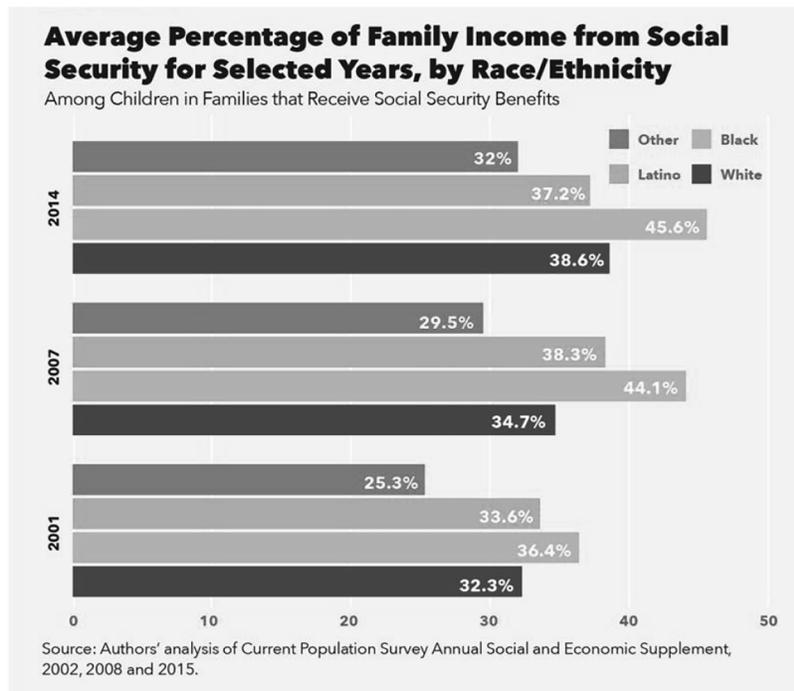
Center for Global Policy Solutions. (2016). Overlooked But Not Forgotten: Social Security Lifts Millions More Children Out of Poverty. Washington, DC: Center for Global Policy Solutions. Retrieved at: http://globalpolicysolutions.org/report/overlooked-not-forgotten-social-security-lifts-millions-children-poverty/#_edn30



As the figure above demonstrates, Social Security shields a large share of children from poverty. Without Social Security benefits for these families, people would fall further behind. The official poverty rate for child beneficiaries across all racial and ethnic groups would increase by about 17 percentage points without Social Security benefits, bringing the total poverty rate to an alarming 43 percent. For African American child beneficiaries, the poverty rate would increase to nearly 58 percent without Social Security benefits. For Latino child beneficiaries, the poverty rate would increase to nearly 45 percent without Social Security benefits—a rise of more than 17 percentage points.

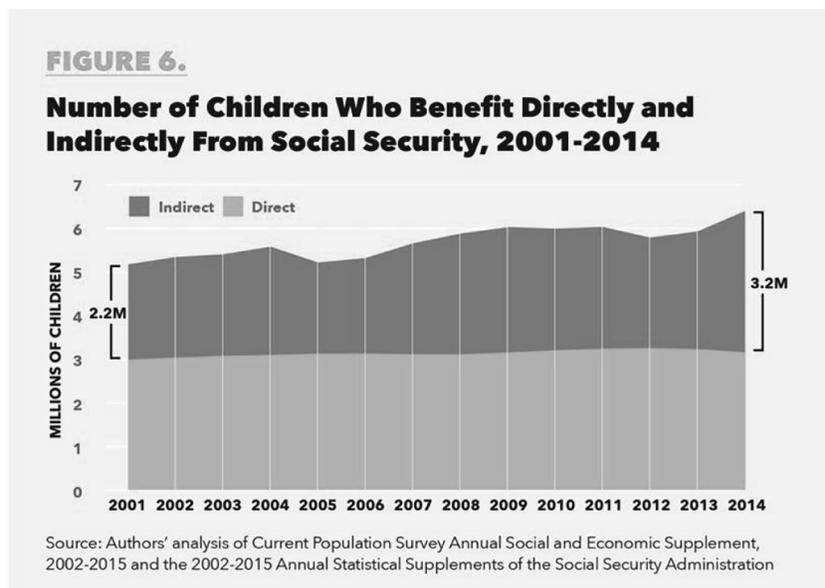
For groups with lower poverty rates, like White and “Other” child beneficiaries, poverty rates would nearly double if income from Social Security were denied.

In 2014, Social Security contributed nearly two-fifths (39 percent) of the annual income for White families. For families of color, the contribution was even higher: Almost half the income (45.6 percent) of African American families with children came from their Social Security benefits. Social Security benefits as a share of total income for African American households with child beneficiaries has grown by 9.2 percentage points since 2001, the highest growth among all racial groups.



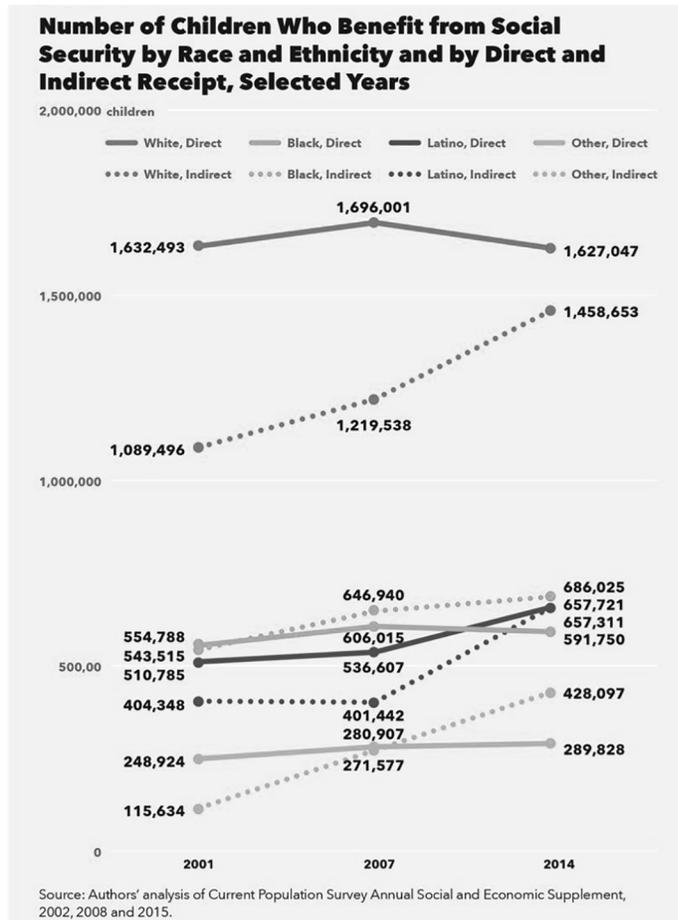
The significant growth in the percentage of household income from Social Security for African American families between 2001 and 2014 is concurrent with a drop in real (inflation-adjusted) median income for all African American families—from \$39,000 in 2001 to \$34,000 in 2014, the largest decline in income for any racial groups.

Further, the poverty rate for Black children *with* Social Security benefits (40.3 percent) is slightly higher than the poverty rate for White children *without* Social Security benefits (39.0 percent) [See Figure 2]. Therefore, while Social Security kept a greater percentage of White families from poverty, the same income provides much greater support in the African American family—demonstrating the necessity of such a program for all families, especially families of color.



As the figure above demonstrates, the number of children who directly benefit from Social Security has remained relatively stable over the period at approximately 3 million children. However, by disaggregating the data on direct beneficiaries of Social Security, we gain a larger understanding about how these benefits impact various households.

White families have seen no significant shift in the annual growth rate of direct beneficiaries of Social Security, but households that identify as African American, Latino, or "Other" have all experienced modest growth in direct beneficiaries since the turn of the millennium. Between 2001 and 2014, the number of African American children who directly benefit from Social Security has grown by 1.2 percent annually, the number of Latino children who benefit has grown by 2.4 percent annually, and the number of children of other backgrounds who benefit has grown by 2.7 percent annually. This indicates that even though White children still represent the largest number of direct and indirect child beneficiaries of Social Security, the number of children of color who are direct beneficiaries of Social Security is on the rise.



Overall, it is quite clear across all racial and ethnic groups that the increase in Social Security's reach over the past 14 years is largely due to the rising number of children living in extended family households that receive benefits.

The number of indirect beneficiaries in Latino households has grown by 4.2 percent annually between 2001 and 2014, indicating the importance of Social Security income for Latino families. This growth means that more than 250,000 additional Latino children received Social Security

benefits indirectly in 2014 than in 2001, bringing the total increase in direct and indirect Latino child beneficiaries to almost 400,000 children during this period.

The numbers are even more dramatic for children of families that identify as a race other than White, Black or Latino—for example, for Asian American families. These households have seen an indirect growth in child beneficiaries of 12.7 percent annually, the highest among every racial group surveyed. The number of beneficiaries within this group jumped from just 116,000 in 2001 to 428,000 in 2014. This means that children who identify as “Other” within the survey had the highest annual growth rate of both direct and indirect beneficiaries (6.3 percent) of any racial group. Their total beneficiaries grew by over 350,000—more than the growth in African American child beneficiaries and comparable to the increase in number of White and Latino child beneficiaries.

By comparison, the African American and White annual growth rates for indirect child beneficiaries were almost identical, 2.8 and 2.9 percent, respectively. As a result, the number of African American and White children benefiting indirectly from Social Security is growing at a significantly slower pace than that of both Latino and “Other” children. Moreover, the number of children who benefit indirectly and identify as “Other” has grown at four times the annual rate of those who identify as either African American or White (e.g. 12.7 percent vs. 2.8 percent).

The substantial rise in indirect child beneficiaries from Latino and “Other” households is concurrent with the growth of these populations in the United States.[10] Therefore, as we consider the solvency of Social Security for the coming generations, we must take into account the millions of children for whom this program is essential.

SOCIAL SECURITY SHOULD BE STRENGTHENED AND EXPANDED

Instead of reducing benefits through proposals like raising the retirement age—which would disproportionately hurt groups with lower life expectancies, such as African Americans, Social Security benefits should be expanded to meet twenty first century needs.

While new features such as pegging benefits to a revised Consumer Price Index based on costs incurred by the elderly and increasing benefit levels across the board and for the very old are all good ways to enhance the system, there are other proposals to strengthen Social Security that focus on how to extend or restore benefits to new population groups who are economically vulnerable without the program’s coverage. Prominent proposals within this category of expansion include:

[10] Brown, A. (2014, February). The U.S. Hispanic population has increased six-fold since 1970 (Fact-Tank: News in the Numbers). Pew Research Center.

- Restoring the student benefit. Currently, children with a disabled or deceased parent are eligible to receive Social Security benefits up to the age of 18 or 19 if still in high school. Prior to 1981, when the program was ended, these young people were able to keep receiving benefits up until the age of 22 as long as they were enrolled in college, vocational school or high school. Research shows that the additional years of income helped many low-income students receive a college education. Studies show that a college degree tends to enhance earnings over a lifetime, which, in turn, strengthens Social Security benefits upon retirement. Restoring the student benefit could have a directly positive benefit on financial outcomes for future retirees.
- Extending benefits to caregivers. Caregivers, who are disproportionately women, are disadvantaged by the Social Security benefit formula when they are forced to work part-time or take time out of the formal economy to care for dependent children or relatives. These years of part time work or formal unemployment reduce the benefits of caregivers upon retirement and, for women especially who also experience lifetime pay disparities and live longer than men, make them especially vulnerable to poverty. Proposals to strengthen Social Security for caregivers include establishing a family service credit, for up to five total service years, with imputed earnings equal to one half of that year's average annual wage.
- Covering immigrant workers. Undocumented immigrants working in the U.S. are currently not eligible to receive Social Security benefits even though many contribute to its trust funds and experts widely acknowledge that comprehensive immigration reform could improve the program's actuarial balance over time. Lack of Social Security or private pension coverage, combined with a lifetime of low-wage work, increases the extreme financial vulnerability of immigrant workers as they age. Expanding the number of legal immigrants through comprehensive immigration reform would not only provide a pathway for immigrants to access Social Security benefits, it would strengthen Social Security's financing mechanism by improving the worker to retiree ratio.



Chairman LARSON. Thank you, Dr. Rockeymoore.
And now, Mr. Semprevivo.

**STATEMENT OF JOSEPH SEMPREVIVO, PRESIDENT AND
CHIEF EXECUTIVE OFFICER, JOSEPH'S LITE COOKIES**

Mr. SEMPREVIVO. Thank you, Chairman Larson, Ranking Member Reed, and all Members of the Subcommittee. I am Joseph Semprevivo, owner of Joseph's Lite Cookies. We make sugar-free cookies and pancake syrup to share with diabetics across the country. We are based out of Florida. I am also here representing 30 million small business owners and the 60 million people they employ. So thank you for inviting me to speak about the impact of Representative Larson's proposed tax increase on small business and their middle-class workers.

Representative Larson, your proposal to raise the payroll tax over a number of years to 2.4 percent up to 14.8 percent and apply that to all earned income would hurt American small businesses, the middle class, and entrepreneurs. And these are the very people that we are trying to protect.

While the plan calls for a doughnut-hole exemption between the current cap of \$132,900 and \$400,000 of earnings, the ceiling is not indexed to inflation, meaning that within a couple of decades, all employees, no matter their income level, would be subject to it. So eventually, an employee at a company like mine that is earning \$200,000 a year, that is an additional tax for the employer of \$2,400.

Let's consider the impact on a business employing 50 employees at \$50,000 a year, so \$2.5 million in gross payroll. Their payroll tax will go up by \$30,000 a year to \$185,000. That is just the employer's portion of that contribution. The sad part of it is the individuals that could be hired with that additional \$30,000, the raises that could be given from that \$30,000, or the expansion that could happen for a small business. This payroll tax would be funded by holding off on potential hiring or raises or even companies having to layoff, because it is an additional liability that they have to incur.

The tax increase also directly tax wages and wage increases, which is peculiar public policy, a strategy given out by the bipartisan push, to increase the wages of ordinary Americans. Every time I consider raising an employee's wages, I would then have to factor in the increased tax obligation to see if that raise still makes financial sense.

For some small business owners that operate on super tiny profits, let's look at the restaurant industry as an example, their margins pivot around 3 percent. Labor makes up about one-third of their expenses. So raising their labor cost by 1.2 percent or eventually 2.4 percent could be enough to put some of them out of business. What I don't understand is how does it help Social Security when restaurants close down and employees lose their job? It just simply doesn't.

And those negatively affected by this tax increase would be sole proprietors, which make up the vast majority, as we all know, of taxpayers in this country. Sole proprietors, though, pay both sides of the tax, equaling this 14.8 percent. So a sole proprietor making

\$100,000 a year would be paying \$14,800 out of their pocket, which would be an increase of \$2,400 a year from what they are currently paying now.

And I notice on this very distinguished panel you have assembled here today that there are no other small businesses, and I do know at the onset you said you were going to be doing more hearings. So if we look at ordinary Americans, middle-class taxpayers on a panel like this, it could be really critical for this discussion and very important before moving forward with this tax increase. And I think you will find going across America and asking these middle-class taxpayers how do you feel about another tax increase, they would tell you that we are taxed enough already.

Thank you, Mr. Chairman and Mr. Ranking Member.

[The prepared statement of Mr. Semprevivo follows:]

**Testimony of Joseph Semprevivo
Before the U.S. House Ways and Means Committee,
Subcommittee on Social Security
March 12, 2019**

Chairman Larson, Ranking Member Reed, and members of the Subcommittee, my name is Joseph Semprevivo. I'm the owner of Joseph's Lite Cookies, a small business based in Florida that makes sugar-free cookies for diabetics. I'm also here representing 30 million small business owners around the country and the 60 million workers they employ.

Thank you for inviting me to speak about the impact of Rep. Larson's proposed tax increase on small businesses and workers.

Rep. Larson's proposal to raise the payroll tax over a number of years by 2.4 percent to 14.8 percent and apply it to all earned income would hurt American small businesses, middle-class workers, and entrepreneurs.

Rep. Larson's plan would increase small businesses' payroll tax burden per employee by 1.2 percent to 7.4 percent. For an employee earning \$50,000 a year, the employer payroll tax share would increase by \$600 to \$3,700, and for an employee earning \$100,000 by \$1,200 to \$7,400.

While the plan calls for a donut hole exemption between the current payroll tax cap of \$132,900 and \$400,000 of earnings, this ceiling is not indexed to inflation, meaning that within a couple of decades all employees – no matter their income – would be subject to it. Eventually, for an employee earning \$200,000 a year, a business like mine would have to pay \$2,400 more in payroll tax than we do today.

Consider the impact on a business employing 50 people at an average annual salary of \$50,000. This tax increases would raise the business portion of payroll tax costs by \$30,000 to \$185,000. That increase amounts to the cost of hiring a new entry-level employee or giving significant wage increases to existing employees.

This payroll tax increase would be funded by holding off on hiring or reducing employee wages. It would undo the benefits of the tax cuts that took effect last year and are allowing small businesses like mine to hire, raise wages, and expand.

This payroll tax increase would also directly tax wage increases, which is a peculiar public policy strategy given the bipartisan push to increase the wages of ordinary Americans. Every time I consider raising an employee's wages, I would then have to factor in the increased costs of this associated tax hike to see if the potential pay raise still makes financial sense.

For some small business owners which operate on tiny profit margins, this tax increase will put them out of business. Consider the restaurant industry where profit margins pivot around 3

percent. Labor makes up about one-third of their total expenses. Raising their labor costs by 1.2 percent as this proposal does would be enough to put some of them out of business altogether.

This proposed tax increase would hurt my employees as much as it would hurt me and other small business owners. For many employees, the payroll tax is the biggest tax burden they face. Raising their payroll tax burden to 7.4 percent will push some workers into poverty. It will prevent other workers from having the funds to make their car or housing payments. It will prevent others from having the funds to take a vacation.

I often hear from my employees about the financial hardships they face and how it's difficult to afford the costs of daily life. By taking more money out of their pockets, this proposal would only make it harder still.

Particularly negatively affected by this tax increase would be sole-proprietors, which make up the vast majority of small businesses in this country. Sole-proprietors must pay both the employer and employee sides of the payroll tax. This means that a sole-proprietor earning \$100,000 would have to pay nearly \$15,000 in payroll tax in addition to their federal and state liabilities under this tax proposal – an increase of \$2,400 from the current tax regime.

Consider realtors, which are often paid as contractors, meaning they are required to pay both sides of the payroll tax. They earn about \$60,000 a year, meaning they would have to pay \$1,440 more a year in tax because of this 2.4 percent tax increase. That's gas money for a year.

This tax increase would hurt entrepreneurship rates as workers will be disincentivized from striking out on their own in the face of a nearly 15 percent flat payroll tax on earnings. This is a worrying prospect given the important role that entrepreneurship plays in job creation, standard of living improvements, and economic growth.

I don't know whether I would have started my business if I had to pay 15 cents on every dollar I earn in payroll taxes.

I notice that there are no other small business owners or ordinary American workers testifying today. I would encourage the committee to get out and talk to these people about whether they want a tax increase before moving forward with this plan. I think you'll find they say they are Taxed Enough Already.

Thank you for your time.



Chairman LARSON. Thank you, Mr. Semprevivo.
 Mr. SEMPREVIVO. Yes, sir.
 Chairman LARSON. Thank you.
 Dr. Cruz.

STATEMENT OF YANIRA CRUZ, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL HISPANIC COUNCIL ON AGING

Ms. CRUZ. Thank you, Mr. Chairman, and thank you, Ranking Member Reed, for holding this hearing today. At the outset, I want to just say that Social Security affects every American.

Hispanics rely on Social Security for more of their retirement income over a longer time period due to their life expectancy. In addition, Hispanics comprise the Nation's largest ethnic minority group, with a population of approximately 57 million. Many Hispanics are among the working poor and depend on Social Security to ensure their economic security after a lifetime of hard work. A large number of Hispanics tend to work jobs that pay lower wages and are less likely to have pension coverage.

More than 75 percent of Latinos rely on Social Security for at least half of their income. About 45 percent rely on Social Security for 90 percent or more of their income, and about 38 percent rely on it for all of their income. Nearly 22 percent of Hispanic older adults ages 65 and over live below the Federal poverty level. And without Social Security, many more Hispanic older adults and their families would be living below the Federal poverty level.

Hispanics face many healthcare related challenges upon retirement. Any threat to their Social Security benefits would further challenge and complicate their ability to stay healthy. Threats to Social Security could force Hispanics to make tough choices between healthcare, buying groceries, and paying their rent. Hispanics have the highest uninsured rate of any other group. Social Security benefits provide peace of mind.

Social Security keeps Hispanic women from living in poverty in their golden years. Although many Hispanic women have overcome difficulties, attended college, and achieved many leadership positions, a larger number continue to experience severe inequities in pay. Hispanic women tend to sacrifice by taking flexible, low-end jobs, ensuring their ability to care for their families and provide caregiving. These jobs generally do not provide healthcare benefits or pension plans. Because Latinas earn less, they also save less. Latinas are also three times more likely to live in poverty than non-Hispanic White women. Twenty-five percent of Latinas age 65 years or older live in poverty. Only 26 percent of Hispanic women receive pension coverage, compared to 39 percent of both African American and non-Hispanic White women. Only 33 percent of Latinas have retirement income from savings or assets.

As a result, Social Security makes up the bulk of Hispanic women's retirement income. And without Social Security, 60 percent of Latinas over the age of 65 would live in poverty. Social Security remains the sole source of income for nearly 40 percent of unmarried Latinas. Eighty-one percent of unmarried Latinas depend on Social Security for the majority of their retirement income. Latinas need a better plan for a secure retirement and not a reduction in benefits.

Let me tell you about one of the people we work with every day. Berta Roque is an American citizen who naturalized from El Salvador. She immigrated to the United States in 1981 when she was 38 years old. Berta worked for 27 years in the cleaning and maintenance industry. She formally retired in 2008 when she turned 65 years old, but continued to work until 2017. Now, Berta is 75 years old and lives at Casa Iris, a housing facility for low-income older adults here in D.C. Casa Iris is owned and operated by the National Hispanic Council on Aging.

After almost 40 years of work in the United States, Berta's sole source of income comes from Social Security. Berta's annual income from Social Security is \$10,800, or \$900 a month. When asked about her Social Security benefits, Berta told us Social Security's modest benefits are more important than ever to guarantee our economic security in the event of retirement or disability. She went on to say, if it wasn't for this benefit, I would be living out in the streets and eating from shelters, with no possibility to afford my medicines.

Berta's monthly budget includes \$275 a month for rent, about \$250 for food, \$150 for medicine, and \$150 for car insurance and gas. After those expenses, Berta is left with \$75 for the entire month to pay for her basic necessities, and little luxuries like getting her hair cut.

Berta asked me to convey the following message to you regarding the looming cuts to Social Security benefits. She says: We need to stay together in this battle. Reduced benefits from Social Security would be a slap in the face for all of those who have helped to build this country. It would put millions of Americans at risk of poverty.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Cruz follows:]



*Working to improve
the lives of Hispanic
older adults and
their families*

Written Testimony

Dr. Yanira Cruz, President & CEO, National Hispanic Council on Aging

Hearing on “Protecting and Improving Social Security: Enhancing Social Security to Strengthen the Middle Class”

March 12, 2019

Social Security affects every American. However, Hispanics/Latinos rely on Social Security for more of their retirement income over a longer time period due to their longer life expectancy. In fact, in 2014, the life expectancy, at birth, for Latinos/Hispanics in the United States was 81.8 years, compared with 78.8 years for the non-Hispanic white population in the United States. Additionally, Hispanics/Latinos comprise the nation’s largest ethnic minority group with a population of more than 57.5 million; making up 17.8 percent of the total population of the United States.

Many Hispanics/Latinos are among the working poor and depend on Social Security to ensure their economic security after a lifetime of hard work. A large number of Hispanics tend to work jobs that pay lower wages and are less likely to have pension coverage. More than 75 percent of Latinos rely on Social Security for at least half of their income. Roughly 45 percent rely on Social Security for 90 percent or more of their income, while about 38 percent rely on it for all of their income. Nearly 22 percent of Hispanic/Latino older adults ages 65 years and over live below the federal poverty level. Without Social Security many more Hispanic/Latino older adults, and their families, would be living below the federal poverty level.

Hispanics/Latinos face many health care related challenges upon retirement. Any threat to their Social Security benefits would further challenge and complicate Hispanics/Latinos abilities to stay healthy. Threats to Social Security could force Hispanics/Latinos to make tough choices between health care, buying groceries, and paying the rent. Hispanics/Latinos have the highest uninsured rates of any other racial/ethnic group within the United States. In 2015, almost 20 percent of the Hispanic/Latino population was not covered by health insurance. Social Security provides peace of mind.

Hispanics/Latinos in the United States are young. Of the 37.4 million Hispanics/Latinos in the United States, approximately 26 percent are between the ages of 22 and 35 and more than ten million, are under the age of 18. According to a survey of Hispanics by the AARP, most Hispanic/Latino families do not want to leave significant debt for their children, but this may be inevitable if Social Security is weakened or cut. Any cuts in benefits could mean borrowing money to invest or make ends meet— a bad financial plan.

Social Security keeps Hispanic women from living in poverty in their golden years. Although many Hispanic women have overcome hurdles, attended college/university and achieved many leadership positions; a larger number continue to experience severe inequities in pay of any other population group. Hispanic women tend to sacrifice by taking flexible, lower-waged jobs, ensuring their ability to care for their families. These jobs generally do not provide health benefits or pension plans. Latinas spend a higher percentage of their income on household costs, medical costs, and other vital necessities. Because Latinas earn less, they save less. Latinas are also three times more likely to live in poverty than non-Hispanic white women are. Twenty-five percent of Latinas ages 65 years or older live in poverty. Only 26 percent of Hispanic women receive pension coverage, compared to 39 percent of both African-American and non-Hispanic white women. Only 33 percent of Latinas have retirement income from savings or assets. As a result, Social Security makes up the bulk of Hispanic women's retirement income. Without Social Security, 60 percent of Latinas over the age of 65 would live in poverty. Social Security

remains the sole source of income for nearly 40 percent of unmarried Latinas. Eighty-one percent of unmarried Latinas depends on Social Security for the majority of their retirement income. Latinas need a better plan for a secure retirement, not a reduction in benefits.

Berta's Story:

Berta Roque is an American citizen, who naturalized from El Salvador. She immigrated to the United States in 1981 when she was 38 years old. Berta worked for 27 years in the cleaning and maintenance industry. She formally retired in 2008 when she turned 65 years old. However, she has continued to work until 2017.

Now, Berta is 75 years old and lives at Casa Iris, a housing facility for low income older adults in Washington, DC. Casa Iris is owned and operated by the National Hispanic Council on Aging.

After almost four decades of work in the United States, Berta's sole source of income comes from Social Security. Berta's annual income from Social Security is \$10,800, or \$900 a month. When asked about her Social Security benefits, Berta shared, "Social Security's modest benefits are more important than ever to guarantee our economic security in the event of retirement or disability. If it wasn't for this benefit I would be living out in the streets, eating from shelters and without possibilities to afford my medicines."

Berta's monthly budget includes: \$275 a month for rent; approximately \$250 for food; \$150 for medicine; and \$150 for car insurance and gas. After those expenses, Berta is left with \$75 for the entire month to account for her basic necessities, little luxuries (like getting her hair cut) and emergencies.

Berta asked me to convey the following message to Congress regarding the looming cuts to Social Security benefits, "We need to stay together in this battle. Reduced benefits from the Social Security would be a slap in the face for all of those who have helped to build this country. It would put millions of Americans at risk of poverty."

NHCOA is a nonprofit 501(c)3 organization based in Washington, D.C. and established in 1979. NHCOA has a 40-year history of working to improve the quality of life of Hispanic older adults, their families and caregivers. From its inception, NHCOA activities have reflected its philosophy of empowering Hispanic older adults to advocate for the resources and services that are their right.

NHCOA is known for its ability to reach and serve its community in a linguistically, culturally and age-appropriate manner, bridging gaps in language, culture, formal education and age. NHCOA also understands the needs and challenges facing its community and has chosen its programmatic priorities to reflect critical issues facing Hispanic older adults. Its key programmatic priorities are: economic security, health, housing, and leadership development and empowerment. Leadership development and empowerment are integrated into all of NHCOA's programs, striving to inspire Hispanic older adults and their families to be their own advocates and work together to overcome the common challenges they face in their communities. Finally, NHCOA brings together three levels for social impact and positive change – research, practice and public policy.

All of NHCOA's programs are based on rigorous research, as are its national policy positions. Our work in the field results in best practices and first-hand knowledge of community experience; further informing public policy and practice. Public policy efforts are catalysts for community organizing and local advocacy. The result is NHCOA's vision of a society in which all Hispanic older adults have access to needed resources; are able to age securely, with dignity, greater self-sufficiency, and in the best possible health; are able to be active members of their community and greater society; are valued and honored for their lifelong contributions to their families and society; and have a strong voice on issues of concern to them locally and nationally.

NHCOA is also highly successful in working with diverse organizations on a national and local level, ranging from other national nonprofit organizations to local community based organizations, government agencies, media outlets and other stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'Y. Cruz', with a long horizontal flourish extending to the right.

Yanira Cruz, DrPH, MPH
President & CEO



Chairman LARSON. Thank you, Dr. Cruz.
Ms. Boivie, will you comment.

**STATEMENT OF ILANA BOIVIE, RESEARCH ECONOMIST,
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AERO-
SPACE WORKERS AND AMERICAN FEDERATION OF LABOR
AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO)**

Ms. BOIVIE. Thank you, Chairman Larson, Ranking Member Reed, and Members of the Committee. My name is Ilana Boivie. I am a research economist for the International Association of Machinists and Aerospace Workers. As someone who has devoted more than 10 years to researching retirement security for working Americans, I am pleased to have this opportunity to testify on the importance of Social Security in today's economy and to add the labor movement's voice to the increasingly louder call for benefit expansion.

I am here today on behalf of both the IAM and labor's umbrella organization, the AFL-CIO. The IAM represents some 600,000 active and retired members and is also a member of the AFL-CIO, which includes 54 other unions. Together, we represent some 12.5 million American workers.

Workers' ability to achieve retirement income security has long been premised on a system of mutual responsibility, also known as the three-legged stool: Social Security, employer-provided pensions, and personal savings. But as has already been noted by other panelists, that second leg of the stool, that traditional pension plan, has become quite shaky in recent years.

I am proud to say that union members generally have been better off than their nonunion counterparts when it comes to pensions because of the power of collective bargaining. However, in recent years, private employers in both the union and nonunion context have largely backed away from defined benefit pensions in favor of defined contribution plans like 401(k)s that shift significant financial risk onto working people. This has made American workers' retirement outlook increasingly precarious.

The labor movement firmly believes, and substantial research shows, that an individual retirement savings plan is not an adequate substitute for the guaranteed benefit that a pension provides. With fewer workers having access to traditional pensions, Social Security is becoming increasingly important to working families because it offers many of the features of a pension, including lifetime retirement income and valuable survivor and disability protections. Also, Social Security benefits are completely portable from job to job and benefits keep pace with inflation through an automatic cost-of-living adjustment.

And Americans rely on Social Security. One out of every four American households includes a Social Security recipient. Social Security accounts for 90 percent or more of household income for one in five married couples and about 44 percent of household income for unmarried people. Given its importance and popularity, the most valid criticism that can be levied against Social Security is that its benefits are actually too modest. With retirement benefits averaging just about \$17,000 per year, the labor movement be-

lieves, and surveys show, that Americans overwhelmingly agree that benefits should be expanded.

And yet let us not forget that as a result of those changes enacted in 1983, Social Security benefits have already been cut. Under current law, the age to receive one's full benefit is already increasing from 65 to 67. That means that beneficiaries will receive fewer months of benefits and, therefore, a reduction in total lifetime benefits.

AFL-CIO unions unanimously agree that working people cannot afford another back-door benefit cut by increasing the retirement age. First, for whom would another increase in the retirement age affect? Generation Xers like me, younger millennials, generation Z? These younger workers have already been saddled with soaring student loan debt and high housing costs. They are paying a higher share of healthcare expenses, and very few have employer-provided pensions. Over half of workers aged 25 to 34 have no assets in a retirement account whatsoever. Among those aged 35 to 44, the median retirement account balance is just \$3,000.

Do those who want to raise the retirement age really think that the generations behind them will have such abundant retirement assets as to need less from Social Security?

Second, the notion used to justify increasing the age—that we are all living longer—is incorrect. The gap between the life expectancy of high earners and most other Americans is widening. And life expectancy has not, in fact, increased for the lowest income Americans at all.

Moreover, many workers with physically demanding jobs must limit the amount of time they are in the workforce. The IAM has members who are skilled welders, working for General Dynamics in Maine and Huntington Ingalls in Mississippi, proudly building the Arleigh Burke-class destroyers for the U.S. Navy. Yet due to their physically demanding work, often on their hands and knees, many of them develop severe muscular skeletal problems and are physically worn out by the time they are in their fifties or very early sixties. Are we going to tell these workers that they must work until 70 or older before they can get full benefits?

Some have proposed a carve-out from a retirement age increase for those with physically demanding jobs, but this is more complex than it seems. Millions of service workers have jobs that wear their bodies out, too. It would be extremely difficult to identify the specific categories of workers who must retire early, let alone track all of the different jobs that people have throughout their careers.

Social Security is the most effective antipoverty program in our Nation's history, our most important family income and disability protection program, and the cornerstone of retirement security. Its modest shortfall can and should be addressed without additional benefit cuts. Instead, because more and more Americans are entering retirement with less financial security, benefits should be improved.

I thank the Chairman for holding this hearing and for his leadership on this issue, and I would be happy to answer any questions.

[The prepared statement of Ms. Boivie follows:]

TESTIMONY OF ILANA BOIVIE
ON BEHALF OF
THE INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS
AND
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL
ORGANIZATIONS (AFL-CIO)
TO
THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

March 12, 2019

Chairwoman Larson, Ranking Member Reed, and members of the Committee, my name is Ilana Boivie, and I am a Research Economist for the International Association of Machinists and Aerospace Workers (IAMAW), AFL-CIO. As someone who has devoted more than ten years to work on issues related to retirement income for working Americans, I am pleased to have this opportunity to testify on the importance of Social Security in today's economy and to add the labor movement's voice to the increasingly louder call for benefit expansion.

I am here today on behalf of both the IAMAW and labor's umbrella organization, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). The IAMAW represents some 600,000 active and retired members, in a wide variety of industries and occupations. The IAM is also a proud member of the AFL-CIO, which includes 54 other unions, and, together, we represent some 12.5 million American workers.

Workers' ability to achieve retirement income security long has been premised on a system of mutual responsibility (sometimes referred to as a "three legged stool"): Social Security, employer-provided pensions, and personal savings. Of the three, it is only Social Security that guarantees a nearly universal guaranteed benefit. I am proud to say that union members generally have been better off than their non-union counter-parts when it comes to the second leg of that stool—employer provided pensions—because of the power of collective bargaining.¹ Our experience with collective bargaining leaves no doubt that when working people are at the bargaining table they will make retirement security a workplace priority.

¹ The numbers show the union advantage: As of March 2018, only 17% of private sector workers overall were participating in a defined benefit pension plan—compared to the 61% of private sector unionized pension plan participants. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States," March 2018 (September 2018), Table 2. Retirement benefits: Access, participation, and take-up rates, 1 private industry workers, available at <https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table02a.pdf>

Distressingly, however, that second leg—the traditional pension—is becoming shaky. Private employers have largely backed away from defined benefit pensions in favor of defined-contribution plans, like 401(k) plans, that shift significant financial risk onto working people for them to bear individually, making their retirement outlook increasingly precarious.²

The typical defined-contribution plan, e.g. a 401(k) plan, provides a meaningful benefit only to those workers who can afford to contribute a meaningful amount throughout their working lives. The facts about how much workers save for retirement are sobering, and offer no hope these plans will make up for the loss of pensions. Nearly half of families have no retirement account savings at all. Among families closest to retirement (those headed by someone ages 55 to 64), nearly two in five have no retirement savings in a 401(k), IRA, or other defined-contribution account. Among those near-retirement families fortunate enough to have some retirement savings, half had less than \$100,000—enough for a monthly retirement income at age 65 of only several hundred dollars.³

The labor movement firmly believes that an individual retirement savings plan is not an adequate substitute for the guaranteed retirement benefit a pension provides, and the fact that this substitution is occurring is one of the reasons Social Security benefits are increasingly important to working families. Social Security's retirement benefit offers many of the benefits of a traditional pension, including lifetime retirement income and valuable survivor and disability protections. In addition, Social Security benefits are completely portable from job to job, and benefits keep pace with inflation through an automatic post-retirement cost-of living adjustment.

Social Security is the most effective anti-poverty program in our nation's history, our most important family income and disability protection program, and the cornerstone of retirement income security. It provides benefits to more than 63 million Americans.⁴ One out of every four households includes a Social Security recipient. Among elderly Social Security beneficiaries, 48% of married couples and 69% of unmarried persons receive half or more of their income from Social Security. Among elderly Social Security beneficiaries; one in five married couples and about 44% of unmarried persons rely on Social Security for 90% or more of their income.⁵

² Employers disfavor defined-benefit plans for many reasons, including the real and perceived volatility of their contribution obligations, the cost of contributions, the risk they assume in funding the plans, and counterproductive and complex legal and accounting requirements. Additionally, I would be remiss if I failed to note that companies, frequently driven by the demands of private equity, increasingly are using bankruptcy as a business strategy to get out of their pension obligations to their employees.

³ Monique Morrissey, "The State of American Retirement --How 401(k)s have failed most American Workers, Economic Policy Institute" (March 3, 2016), available at <https://www.epi.org/publication/retirement-in-america>. Furthermore, individual savings plan require workers to bear all the risk, are often insufficiently diversified, and suffer from poor returns.

⁴ Social Security Administration, "2019 Social Security/SSI/Medicare Information," available at <https://www.ssa.gov/legislation2019%20Fact%20Sheet.pdf>.

⁵ Social Security Administration Fact Sheet, available at <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>.

Given the clear importance of Social Security, the most valid criticism that can be levied against it is that its benefits are too modest. Averaging just \$17,040 per year for all retired workers,⁶ the labor movement agrees that there is clear room for benefit expansion.

And overwhelmingly, Americans agree. Nearly 9 in 10 Americans believe that Social Security is more important than ever to ensure that retirees have dependable income—including 87 percent of Generation Xers, and 84 percent of Generation Y. About three-quarters of both Gen X and Gen Y believe that Social Security benefits should be increased.⁷

Moreover, let us not forget that, as a result of changes enacted in 1983, Social Security benefits already are scheduled to be cut. Under current law, the retirement age to receive one's full benefit gradually increases from age 65 to age 67 for everyone born in 1960 and after. That means that these beneficiaries will receive fewer months of benefits and, therefore, a reduction in the total amount of lifetime benefits. Raising Social Security's retirement age by just one year is equivalent to about a 6 to 7 percent retirement benefit cut.⁸ The AFL-CIO unions unanimously agree that working people cannot afford another back-door benefit cut by increasing the retirement age.

First, whom would another increase in the retirement age affect? Generation Xers, like me? Younger Millennials? Generation Z?⁹ Should it be assumed that my generation and those born later need or deserve even less retirement income security than those who came before us? These generations have already been saddled with soaring student debt and high housing costs. They are paying a higher share of health care expenses, and very few have employer provided pension plans. Over half of workers aged 25-34—some 10.4 million workers—have no assets in a retirement account whatsoever. Among those aged 35-44, the median retirement account balance is just \$3,000.¹⁰ Do those who support raising the retirement age really think the generations behind them will face retirement with sufficient financial assets so as to need less from Social Security?

Second, the notion used to justify increasing the retirement age— that we all are living longer—

⁶ This average benefit is just \$4,550 above the U.S. Department of Health & Human Services 2019 Poverty Guideline for an individual. See <https://aspe.hhs.gov/poverty-guidelines>

⁷ National Academy of Social Insurance. "Strengthening Social Security: What Do Americans Want?" January 2013, available at https://www.nasi.org/sites/default/files/research/What_Do_Americans_Want.pdf. (There are varying cutoffs for one to be associated with a generational nickname: NASI uses 1965-1979 for Generation X and 1980 and after for Generation Y.)

⁸ Trudy Lieberman, "What a Higher Retirement Age Really Means" (September 13, 2012), Columbia Journalism Review, available at https://archives.cjr.org/united_states_project/what_a_higher_retirement_age_r.php

⁹ There are varying cutoffs for one to be associated with a generational nickname; the Pew Research Center uses 1963 to 1980 for Generation X, 1981 to 1996 for Millennials, and 1997 and after for Generation Z.

¹⁰ National Institute on Retirement Security. March 2015. "The Continuing Retirement Savings Crisis." Data based on the 2013 Survey of Consumer Finances from the U.S. Federal Reserve, available at https://www.nirsonline.org/wp-content/uploads/2017/07/final_rsc_2015.pdf

is incorrect. The gap between the life expectancy of high earners and most other Americans is widening. Further, life expectancy of African Americans continues to be lower than for White Americans,¹¹ and life expectancy has not in fact increased at all for the lowest income Americans.¹²

Moreover, many workers with physically demanding jobs must limit the amount of time they are able to remain in the workforce. For example, the IAM has members who are skilled welders, working for General Dynamics in Maine and Huntington Ingalls in Mississippi, proudly building the Arleigh Burke-class destroyers for the U.S. Navy. Yet, due to the physically demanding work they do, often on their hands and knees, many of them are physically worn out by the time they are in the 50s and 60s due to knee, back, and other muscular skeletal issues related to decades of strenuous work. Are we going to tell these workers that they will need to work until they are 70 or older before they can get full Social Security benefits?

Some have proposed a “carve out” from a retirement age increase for those with physically demanding jobs. It is important to understand that physically demanding jobs are not just coal mining, manufacturing, and construction. For example, millions of service workers have physically exhausting jobs that wear their bodies out, whether it is moving inventory in warehouses, driving trucks all day long, turning mattresses in hotels, scrubbing floors in office buildings, lifting patients in hospitals, hauling our trash, or keeping our communities safe as police and firefighters. Union health and safety departments would tell you that it would be extremely difficult to identify the finite category of workers who necessarily must retire early because of the demands of their job—let alone track all of the different jobs people have throughout their career. There is no way to raise the retirement age while protecting those workers who, because of the demands of their job, must retire early.

Contrary to the misinformation spread by Social Security opponents, the program is not in crisis; it has not added a single dime to the budget deficit; it is not a contributor to projected long-term deficits; and its modest shortfall can, and should, be addressed without benefit cuts. Instead, because more and more Americans are entering retirement with less financial security, benefits should be improved.

I thank the Chairman for holding this hearing and for his leadership in protecting and expanding Social Security. I would be happy to answer any questions.

¹¹ “Health, United States, 2017 with Special Feature on Mortality,” U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, available at [https://www.cdc.gov/nchs/data/17.pdf](https://www.cdc.gov/nchs/data/hus/17.pdf)

¹² Congressional Research Service. May 2017. “The Growing Gap in Life Expectancy by Income: Recent Evidence and Implications for the Social Security Retirement Age.” In the lowest income quintile of both men and women, as compared to those born in 1930, those in the born in 1960 have actually seen a decline in life expectancy. <https://fas.org/sgp/crs/misc/R44846.pdf>

Chairman LARSON. Thank you, Ms. Boivie.

And I want to thank all the panelists for your expert testimony. And now we are going to turn to questions that the Members of the Committee have, and I get to lead off.

And I would like to start by thanking Kate Farrar from my home State of Connecticut for being here today. And I am wondering if you could expound on the numerous stories that you had about women especially and the problems they face as we currently go through this crisis and the looming prospect of major cuts to Social Security in 2034.

Ms. FARRAR. Yes. Thank you, Mr. Chairman. Unfortunately, as you commented, the stories I shared and others before you are just too common. And in the instance I shared initially about the wage gap in our country and particularly in Connecticut, the wage gap for women does not discriminate. The wage gap crosses sectors, it crosses education levels, it crosses income levels. And as I also shared, you know, too many women, twice as many women as men, actually work part time in our country to really shoulder disproportionately the caregiving responsibilities. And in our State of Connecticut women of color especially are vulnerable to poverty in retirement because of their greater significant wage gap and often those lower wage jobs that don't have savings or pensions.

And therefore, when we talk about protecting and expanding Social Security, these are the women we are speaking to and these are the women we need to keep in mind.

Chairman LARSON. Thank you.

Dr. Rockey Moore, you in your testimony today, and several people have talked about this, but you talked about how raising Social Security's retirement age is a benefit cut. Can you explain why it is a cut?

Ms. CUMMINGS. Right. I mean, it is a cut because, you know, when we did the estimates in terms of the Bowles-Simpson plan that raises the retirement age to 69, it was discovered that it would be a cut of approximately 14 percent per month for beneficiaries. It is a cut because there are less people who are actually able to take advantage of the Social Security benefit because they are dying sooner. And so with that, you have a situation where the benefits would be reduced over time. Fewer people would have access to it. And then Social Security, of course, would have an opportunity to actually, I guess, preserve more money because less people are getting the resources.

I think it is important to understand that African Americans, blue collar workers, Latinos, people of color generally would have a harsher time when they are—if there was a benefit cut. And so with that, I think it is important that we pay attention to the fact that half the income distribution is living longer, the other half is not. And so we have to pay attention to how that impacts proposals for Social Security.

Chairman LARSON. Thank you, Dr. Rockey Moore.

Mr. Semprevivo—did I get it right?

Mr. SEMPREVIVO. Yes, sir, you did.

Chairman LARSON. Well, listen, thank you for your testimony. And you seem like a pretty regular guy, an entrepreneur. I was

wondering, are you saying, though, that we should do nothing with Social Security?

Mr. SEMPREVIVO. Well, I am not a Social Security solvency expert. I did read the 270 pages from the Social Security Administration, their analysis and their report. And, no, I am not saying do nothing. I am saying let's find middle-class Americans and people that are, say, for example, Mr. Chairman, 1099ers, which 48.2 million of those—

Chairman LARSON. What is it you are saying we should do then, if you are finding 1099ers to—

Mr. SEMPREVIVO. They are going to be paying—under your proposal, under H.R. 860, they are going to be paying—they have to pay all 14.8 percent.

Chairman LARSON. Well, do they really?

Mr. SEMPREVIVO. They do, they do.

Chairman LARSON. I mean, even when you talk about the tax deduction that is available to them?

Mr. SEMPREVIVO. That is not applicable, because this is a Social Security tax for the FICA. They have to pay that.

Chairman LARSON. You can write off the portion on the business side. I mean—

Mr. SEMPREVIVO. Okay. So let's entertain that.

Chairman LARSON. Let's be honest about it. We start with an increase for the worker and the employer. The employer gets the writeoff, the worker gets a benefit, right? You are calling it a tax.

Do you know of any other taxes where you get a disability benefit, you get spousal coverage, you get dependent coverage, and with that you have a pension?

Mr. SEMPREVIVO. Mr. Chairman, would you allow me to answer?

Chairman LARSON. Sure.

Mr. SEMPREVIVO. I will be happy to, sir. Thank you so much.

Let's talk about a 1099er, an Uber driver, a Lyft driver, a realtor, an insurance person. We have plenty of insurance people out of Connecticut, right?

Chairman LARSON. Absolutely.

Mr. SEMPREVIVO. So they are all 1099ers. Whatever wages they make, they don't have an employer per se, they are the employer.

Chairman LARSON. Right.

Mr. SEMPREVIVO. So they get that 1099. Now, they are responsible for their Social Security contribution. So we increase by 2.4 percent, that becomes a tax, they have to get 14.8 percent. So I will just use a number—

Chairman LARSON. It is not an insurance premium?

Mr. SEMPREVIVO. No, it is—

Chairman LARSON. They don't get any insurance for that?

Mr. SEMPREVIVO. Well, with insurance, they have the flexibility and an opportunity to shop for it, right? This is—

Chairman LARSON. Do insurances have a guarantee, a lifetime guarantee? Is an annuity something you could outlive? Or what happened to those poor people that had 401(k)s and, as we showed up here, found themselves in 2008 with a 101(k) instead of a 401(k)? The difference is that you have the full faith and credit of

the United States Government here, and that is what allows the guarantee to your employees and other employers as well. It is an insurance plan.

Mr. SEMPREVIVO. Well, I think what matters to most middle-class Americans that have to file a 1099, 48.2 million of them, when you ask them would you like to have a plan 40 years from now or would you like to feed your children now, the answer is obvious. The average wage, and I just want to extrapolate on this, the average wage of a realtor in the United States, 1.3 million of them, is \$60,000. So they are middle-class America. They are the meat and potatoes of America. It is the same with insurance agents, Uber drivers, and Lyft drivers. You are now telling those individuals don't feed your children, because you are going to have to come up with an additional 2.4 percent.

Chairman LARSON. No one is saying don't feed your children. Come on.

Mr. SEMPREVIVO. When you take money out of their hands—

Chairman LARSON. With all due respect, no one is saying don't feed your children. Come on.

Mr. SEMPREVIVO. Well, when you talk to them and you are telling them—

Chairman LARSON. You seem like a pretty reasonable guy, but you know that is not the case.

Mr. SEMPREVIVO. I am. I am. I know people that are—plenty of people that are making—

Chairman LARSON. Dr. Rockey Moore, is that your experience with middle-class people?

Ms. CUMMINGS. No, absolutely not. Not only that, but, you know, the fact of the matter is, people do want protection. Those 1099 workers are part-time workers. And the fact of the matter is, they are willing to actually incur that cost knowing that on the back end they have access to retirement benefits, disability benefits, or even survivor benefits. They are not able—they may not be able to pay out-of-pocket for private life insurance benefits or for private disability benefits or even for a private annuity, but Social Security is there for them. And that is why investing in it is important for entrepreneurs and important for workers, whether they are 1099 or full time.

Mr. SEMPREVIVO. So would you say there is a priority, food versus insurance 30 years from now? Are you saying they are sacrificing food now and waiting 30 years from now?

Ms. CUMMINGS. No. Food and shelter are absolutely a priority.

Mr. SEMPREVIVO. Right.

Ms. CUMMINGS. But so is actually having a safety net to rely on in the case of a crisis. And so, you know, I am just saying that this is just as important to 1099 workers as it is to full-time workers.

Chairman LARSON. Let me recognize Mr. Reed for any questions he may have.

Mr. REED. Well, thank you, Mr. Chairman.

And, Mr. Semprevivo, let me jump in here a little bit, because I think you are articulating something that needs to be highlighted. And that is, one, when we go into Social Security and when we go into Social Security disability, the common denominator of entry into that program is it is an earned benefit, as the Chairman said.

So in order for it to be an earned benefit, that means what? You have to have a what?

Mr. SEMPREVIVO. You have to have individuals contributing to that to be an earned benefit.

Mr. REED. And when they go to work, we call that a what?

Mr. SEMPREVIVO. A job.

Mr. REED. A job. Right. So they have to have a job in order to qualify for the benefits. And so what your voice represents on this dais today is the voice of that job creator, that individual that owns the business, and/or that 1099 sole proprietor who is out there trying to take care of his own livelihood and his family.

So when you talk about a tax increase, like what we are potentially discussing here in order to take care of Social Security, and you talk about that \$2,400, and you talk about that number, are you talking about the cash flow today that people are suffering from, and that maybe Dr. Rockey Moore isn't understanding what I am hearing you say? Is what you are saying is that the entrepreneur or that sole proprietor, that business owner, that employee is going to have to pay that tax increase too, because that is cash flow to them? That goes to their household today, right?

You are saying that we should take into consideration, as a body discussing reforms here to protect Social Security, we should take into consideration how that cash flow may jeopardize that job. Is that correct?

Mr. SEMPREVIVO. It does. And I think there is kind of two separate issues. We are looking at sole proprietors, right? We are just lumping them into magical businesses being businesses. But oftentimes, you have a person, like a Lyft driver. He doesn't have a corporate employer that is making that 12.4 percent contribution on his behalf.

Mr. REED. So when he loses that 12.4 percent, that is real cash out of his pocket—

Mr. SEMPREVIVO. That is gas.

Mr. REED. That is gas, rent, and food.

Mr. SEMPREVIVO. And food. Absolutely.

Mr. REED. That is day-to-day living expenses.

Mr. SEMPREVIVO. Yes, sir. That is the real world.

Mr. REED. And I think what you are articulating and what your testimony to me represents is that we should take that impact into consideration as we discuss Social Security reform. Is that your testimony?

Mr. SEMPREVIVO. Absolutely, sir.

Mr. REED. Okay. And then let me also understand, when you calculate your Social Security retirement benefit, that calculation is based on—do you know what it is based on?

Mr. SEMPREVIVO. Yeah. It was just gross wages up to a threshold of \$132,900.

Mr. REED. So it is 35 years worth of your work history, right?

Mr. SEMPREVIVO. Right.

Mr. REED. So if your work history—if we start off and we grow, and you are an entrepreneur and you are getting opportunities to invest in your business, and I think the tax cut bill led to some investment in your business that expanded your business. You hired new people. So if you start with those new employees with higher

wages, maybe that is the common ground here. If there is higher wages at the onset of that 35-year work period, would that not increase your benefits at the time of retirement under Social Security?

Mr. SEMPREVIVO. Without a doubt. The more—

Mr. REED. Is that true, Dr. Rockeymoore?

Ms. CUMMINGS. In terms of higher wages at the beginning?

Mr. REED. At the beginning and throughout the 35-year work history.

Ms. CUMMINGS. I mean, it would actually lead to a higher benefit in the end if you had it.

Mr. REED. And so as we have articulated in our testimony on our side, one of the things we are focused on is economic growth, as we said, in the LEAP—the L of the LEAP principles that we are trying to articulate as, I think, an area of common ground that we can grow. So if we increase job opportunity, if we increase wages in America, that would have a corresponding impact, in a positive way, on Social Security retirement. Would anybody on this dais disagree with that?

Ms. CUMMINGS. I would just like to say that—

Mr. REED. The response is silence, so therefore, I will note for the record that no one disagreed.

Ms. CUMMINGS. I actually disagree.

Mr. REED. You disagree that jobs growth and wage increase will hurt retirement benefit calculations for Social Security recipients?

Ms. CUMMINGS. I argue that Social Security is actually a boon for job growth and entrepreneurship in this country.

Mr. REED. I am not disagreeing with that. I get that.

Ms. CUMMINGS. Okay. Great.

Mr. REED. But the underlying principle is that increased wages and more job opportunity—because in order to qualify for Social Security retirement and disability it requires a job—would increase the stability for folks receiving Social Security down the road, and the benefit would be increased by wages. Do you disagree with that?

Ms. CUMMINGS. No, I don't disagree with that.

Mr. REED. So hopefully, we have articulated here today, Mr. Chairman, one of our principles where there is common ground, I believe, from the whole entire panel that economic growth could be a part of this solution as we go forward. And with that, I yield back.

Chairman LARSON. Mr. Pascrell is recognized.

Mr. PASCRELL. Thank you. Thank you. Thank you, Mr. Chairman. Thank you, Mr. Ranking Member.

We had a massive tax cut voted upon in December of 2017. And when we look at the results of that tax cut, we don't see the increase in wages that this body was committed to. So I don't know if growth is the answer to our system. Every time we have a problem, it is economic growth that will solve all of our problems. We have a financial problem. We have a budget problem in this country, and there has been a lot of talk of how we are going to cut back on the benefits for those Social Security recipients.

Many of those Social Security recipients, you heard the numbers, they are in some of your testimonies I have read, but the reason

why we have tremendous anxiety is that people don't know whether Social Security is going to be here in another 15, 20 years, so they are not spending their money. Lower-income, lower- to middle-income are those people that spend money when they have it in their pocket. And what those people are doing right now is saving their money just in case, and here is one of the elements, Social Security is not going to be around when I get there, when I get to that point. That is a fact of economics.

And, Mr. Chairman, I would hold that is a major part of why we are seeing an economy which is basically stagnant with regard to wages, although we have seen a little uptick in the last 2 months. So I am glad the Social Security Subcommittee is focusing on the importance of this earned benefit and improving benefits for its first and second hearing. And, Mr. Chairman, I must commend you for pointing out this is not an entitlement. We pay into it. It is an insurance policy, and that is very different than an entitlement.

Social Security plays an important role in ensuring economic security for Americans, from seniors, to women, to people of color, to younger workers. Today's witnesses make it clear that benefits need to be secured and improved, not reduced. Is there anybody on the panel that believes that benefits should be reduced? Anybody?

These benefits may be modest, but they are vital to the 63 million people who rely on them. Social Security is one of the most powerful anti-poverty programs we have. The traditional three-legged stool of pension, Social Security, and private savings for retirement security is no longer intact. Workers continue to move from job to job with undefined benefit packages that may be inadequate or not transferable. So nearly half of the private sector employees, about 55 million, do not have a retirement plan offered by an employer, contributing to a retirement crisis in America. We have a crisis. We are talking about 55 million people.

That is why it is critically important to ensure the comprehensive sweep of protections that Social Security offers remain intact. We all know the Social Security Trust Fund is fully funded until 2034, but there could be a shortfall beyond that if we do not act. Thankfully, there are several proposals.

I support the Chairman's proposal, the 2100 Act, because it secures the Trust Fund in a way that ensures no benefit cuts need to be made for at least the next 75 years. Also, it expands benefits for current and future beneficiaries. You know, in 1983, somebody mentioned it before, 1983 was probably one of the great years in American history because in that year, Democrats and Republicans came together in a bipartisan way and acted on Social Security. And just a few years later, they got together again. Tip and Ronald Reagan got together. They weren't exactly bedfellows, and we had real tax reform. We had real comprehensive tax reform. Jack Kemp was a major part of that deal.

It can be done if we put our minds to it. If we don't, then we are going to have a real catastrophe here. And so those people who saved money, those people we are talking about here for the Majority, who saved money, it is not going to be very useful at that particular time if Social Security is not here.

Thank you, Mr. Chairman.

Chairman LARSON. Thank you.

Mr. Estes is recognized.

Mr. ESTES. Thank you, Mr. Chairman. And thank you to all of our witnesses for joining us today.

You know, as we meet today, our economy is booming at historic levels. In fact, for the first time in history, we have more job openings than we have people seeking jobs. And in actuality, we have seen wages grow by 3.2 percent, which is the highest amount in over a decade. Following the progress that the Ways and Means Committee and Congress made in the last 2 years to help jumpstart our economy, we can now look at how do we help people prepare for their retirement after their careers are over with. And this includes protecting and preserving Social Security for our current as well as future generations of retirees.

You know, for Social Security, a change in economy and population shifts due to baby boomers entering retirement means we can't overlook some of those serious, long-term financial challenges in this vital program. If we do nothing, it is estimated that the Social Security Trust Fund for retirement and disability will be depleted by 2034, which we have talked about earlier would result in a 21 percent cut in benefits, and we don't want that. We need to act now.

This is a serious call to action, and I think Republicans and Democrats can work together to strengthen and improve Social Security for our hard-working Americans. However, we must make sure that the solution doesn't include devastating tax increases that will harm our economy and dole out benefits in a haphazard way. Instead, we should target benefit increases to make sure that we most reward work and modernization of the program to help today's workforce.

Today I believe the real opportunity to work in a bipartisan way will strengthen and improve Social Security so that Americans can receive the real retirement security they deserve.

You know, as the only former State Treasurer serving in the House, I know firsthand about the importance of working on retirement security for the future. In Kansas, I helped with the reform that we did for our pension system when we were in a financial crisis and on a path to be insolvent, and we wanted to make sure we protected that. And that is the kind of leadership we need now.

I have a personal story from my own family. My uncle died when my cousins were young, and my aunt relied on Social Security to help raise my three cousins. It was an important part of their life in terms of helping to maintain their quality of life. And, you know, Social Security was there when my aunt needed it the most, and now we need to make sure that we have it preserved for future generations.

Ms. Ruff, thank you for being here, a fellow Kansan. We appreciate that. You know, Social Security is an important part of that three-legged stool that provides retirement security for millions of Americans. And recently, AARP had this "You've Earned a Say" campaign, folks, you know, making sure Social Security is there for future generations.

Can you speak a little bit more about how important it is to act now instead of continuing to kick the can down the road for Social Security?

Ms. RUFF. Certainly. I would be very glad to. First of all, as we have all heard, it has been made clear that we have full funding until 2034, but then we will have benefit reductions if nothing is done. So if we wait and do nothing, we risk cutting benefits. We risk making it more and more difficult for people who are on Social Security, and we have not solved the issue. The longer we wait to agree to any solutions, the tougher those solutions are going to be. They are going to be more drastic.

We have, in the past as a country, come together when there are critical issues to really think through for the long term. How do we make everything much better? So from that standpoint, also, if we wait, and this was referred to by one of the other panelists, people get worried. They think there may not be any Social Security in the future because they don't see progress being made.

What we saw with our "You've Earned a Say" campaign is that our members rely on Social Security. They know it is a benefit for their children and grandchildren as well. So as we have talked with them and listened to comments they have made, they recognize that they want to make sure it is a long-term solution that in effect is a multigenerational solution, so that is why we can't kick the can down the road.

Mr. ESTES. Thank you. You know, Social Security was never intended to be that sole source of retirement income.

Ms. RUFF. Correct.

Mr. ESTES. You know, we want to make sure we maintain this valuable resource so that, along with retirement savings and private assets, retirees can enjoy the quality of life that they deserve, that they have earned throughout their working life. So, you know, the sooner we act, the easier and more likely it is going to be to make sure we protect this valuable asset that retirees deserve.

So with that, Mr. Chairman, I will yield back.

Chairman LARSON. Thank you, Mr. Estes.

Mr. Boyle is recognized.

Mr. BOYLE. Thank you, Mr. Chairman.

First, let me say, Mr. Semprevivo, your argument would be a little more convincing to me had you brought for us some of Joseph's Lite Cookies. I know that certainly would have helped with a number of Members on this panel on both sides of the aisle.

Let me thank and commend the Chairman of this Committee. For the first time since I have been here as a Member of Congress, 5 years now, are we even talking about, in a meaningful way, what we are going to do in approximately 15 years from now when the dramatic shortfall hits the Social Security Trust Fund. And the fact that this is the first time, apparently since 1983, that a congressional committee is even taking up this issue is, indeed, quite extraordinary. So I want to commend him.

I also want to stress for all of us on both sides of the aisle to seriously and definitively deal with this issue in this Congress just because, while approximately 15 years from now seems like a long way off, it isn't. And, as we know, that current target date of 2034 is always a moving target. If we were to face a recession or slower economic growth than expected, what is projected to be 2034 could actually be much sooner than current projections.

I come at this issue with a couple of different perspectives. First, as the son of someone who worked hard in blue collar jobs for over 50 years, who now gets more than half of his income in retirement from Social Security, I know from personal experience, family experience, that it is not just a statistic to say there is for many millions of Americans the reality that Social Security makes up the majority of their income. It is one of the reasons why I believe that Social Security is the greatest domestic policy achievement of the 20th century.

I also come at it from the perspective of someone who is working and paying in to Social Security and would like it to be there decades from now when I retire and need it. I was just calculating this as the hearing was going on, but I have been paying into Social Security for exactly 25 years in the workforce and will hit full retirement age in exactly 25 years.

Whenever I am doing a townhall, and this has happened at every single townhall I have done, whether it is in a wealthier area or a lower-income area in my district, every single time, I get the question, typically from someone my age or in their forties and fifties, will Social Security be there for me when I retire? I am doing a townhall tonight and I am sure the question will again come up. Most people preface that question stating the belief that they just assume Social Security will not be there for them when they retire.

So when I am able to talk to them about Social Security 2100—and I know we will get more into potential solutions tomorrow—but when I tell them there actually is today existing in Congress one piece of legislation, I believe so far only one, that would address the insolvency issue and extend the Trust Fund lifetime for the rest of the century, people are pleasantly surprised. And people are far more pragmatic about the potential solutions than we sometimes believe they are here in Washington, D.C.

One of those solutions clearly, to me, has to be revenue increase. I would love it if we could magically grow our way out of this problem. I would also love it if one day I could play in the NBA. I sincerely doubt that either of those things are going to happen.

Mr. REED. Not true.

Mr. BOYLE. Thank you. The Ranking Member has much more confidence in my basketball ability than I have.

The idea that we could simply project that magically we are going to grow our way out of this issue is just fantastical. Talking about ways in which we can ensure that those making over \$400,000 a year pay more into the system is a legitimate avenue to explore. Making more than \$400,000 a year is about 10 times what the average worker in America makes. That is a legitimate place to look when we are talking about trying to extend and save the greatest domestic policy achievement in government of the 20th century.

And I see I am out of time, so I will yield back.

Chairman LARSON. Thank you, Mr. Boyle.

And we will now recognize Mr. Ferguson.

Mr. FERGUSON. Thank you, Mr. Chairman, and to the Ranking Member. I want to thank you, Mr. Doyle. I share your dream of playing in the NBA.

Mr. BOYLE. It is Boyle.

Mr. FERGUSON. Mr. Boyle. I said Doyle. Excuse me. But anyway, playing in the NBA, I think we will be on the same team at the exact same time.

But, Mr. Chairman, you know, you have been mighty kind to allow us opportunities to meet to talk about different ideas, different philosophies. I thank you for your openness in those conversations.

To the Ranking Member, Mr. Reed, thank you for the same. I think there have been a lot of really good conversations around this so far.

You know, one thought that crossed my mind as I sat here today and listened to the testimony, was it was pretty remarkable. As a practicing dentist in a small rural community, every story that you told is exactly the way I see it. A single elderly lady whose husband passed away that is struggling to make ends meet, African Americans that struggled in poverty before we created jobs that moved people from poverty into the middle class, workers in our local foundry that have worked extremely hard over the years that may not be able to do the physical labor at 67 that they could at age 55. So I am thrilled that each of you see it the way I do, that we have a diversity. We have a lot of different things going on in our communities. But I also get this feeling that every part of that conversation really revolved around what appeared and what certainly feels like, from a rhetoric standpoint, a cut.

I have said in just about every single townhall and community meeting I have held over the last 2 years that we have to have an honest conversation about this. And one of the things I find, and I find it is pretty remarkable, is that every time we start this conversation, what happens is that someone on the left side of the aisle will stand up and say, we have to talk about Social Security. What does our side do? We basically tear them down because of it. Let a Republican stand up and talk about this issue, and what happens from the other side of the aisle? There is a buzz saw coming at us. It is not intellectually honest to continue to do that.

This is going to be a very interesting conversation. And we quite candidly need, as both Republicans and Democrats, the political cover to have these conversations in a very honest way to reach a compromise position that is the right thing for this Nation, for our seniors, and for future generations.

So I would encourage each of you, as we have these conversations, to not be either overt or quietly covert with threats of cuts and how the language goes. You can see it in the panels. You can hear it in the questions. We see it in the posturing. We have to be able to have those honest conversations that probably get to a point where it is a combination of a lot of things that we are talking about, reforms to the program, which all too often get called cuts, but also I think that revenue is an important component of this, however we get to that point. I just ask that the outside groups allow Members of the Committee to have these conversations without being so demonizing to either side, and I say that on both sides of the aisle.

As a small business owner, some of the comments that you made I fully agree with, and the perspective that you have from operating a small business is one that I had. I don't care what else you

say. When you have money that comes out of your business that goes to the Federal Government for whatever program, it is a tax. I mean, sure, there is an earned benefit that comes from it, but it is a tax. It is not an insurance premium, because an insurance premium is many times something that you have the option of buying. This is not an option. It is a tax.

I don't have many people saying that they are not willing to consider changes to both the program and to the revenue side, but we have to be honest about what it is. It is a tax, because it is coming from my business going to the Federal Government, and it does affect our ability to hire future employees. And as we have all said, every single one of us recognizes that job creation is an important part of saving Social Security.

With that, Mr. Chairman, I yield back.

Chairman LARSON. I want to thank the gentleman.

We now will recognize Mr. Schneider.

Mr. SCHNEIDER. Thank you, Mr. Chairman.

I want to thank the Chairman and the Ranking Member for having this hearing today. And in particular, I want to thank all of our witnesses for your participation and for sharing your views, experiences, and perspectives. I think it is critically important.

All of you here have offered different views and perspectives. You have touched on how the changes to Social Security can disproportionately affect one population versus another, and different populations are affected in different ways.

We had a hearing earlier this year on Social Security, and I touched on the fact—and I want to commend my colleague from Georgia and say thank you. I do think we need to be able to talk together. I will come to that in a second. I will go there.

I think as we talk about ensuring future generations have a secure and dignified retirement, it is important that we get away from the posturing and the positions and get to the issues. And one we talk a lot about, and I did mention this at the last hearing, is this idea of raising the retirement age. And as many of you touched on, for many people, especially people of lower income working in more physically demanding careers, they already start with a lower life expectancy. There are all kinds of data that link income to life expectancy for a lot of reasons, and we don't need to go into those here. But if you take the typical 55-year-old in the lowest 20 percentile in income, they have a life expectancy of 76. I say this all the time. Those at the highest 20 percentile in income are at 88. Raising the retirement age to 70 would reduce the retirement period for those at the lowest income range by fully a third, and this is difficult.

And, Dr. Rockey Moore, I would like to turn to you in the time I have left and talk about this. Because as we talked about these different communities, one of the things that drives our economy, and, Mr. Semprevivo, you touched on this, is the creation of small businesses, small businesses and entrepreneurs. But as people make the decision whether to venture out on their own, and especially in more economically challenged communities, having the confidence of a future retirement can play into that, and Social Security, I think, plays a role.

So I would be curious from your perspective of what role, if any, Social Security has in helping promote small business development entrepreneurship in minority communities as they are making their decision to venture on their own.

Ms. CUMMINGS. It plays a huge role. And I am speaking from experience, and I am also speaking from a larger statistical perspective. I had a sole proprietorship and I have had an LLC. Sole proprietorship, it was just me. LLC, I had up to 20 employees, including some 1099s and interns.

And so when I was a sole proprietor, what I was able to do was get a payroll service, paychecks and then later ADP, where I was able to pay my taxes through, you know, the deduction that comes through the payroll service. Even though I could not offer HR benefits, I couldn't offer a 401(k) when I first got started, I couldn't offer a private life insurance benefit or a private disability benefit, I knew I had Social Security there for me because I was paying for it through my payroll service and I was making sure I was taking care of my future even while I was investing in my business idea.

Once I got more employees and I wanted to attract and make sure that I was able to retain employees, I actually did create a 401(k), and I did get—you know, I did offer a disability benefit that was in addition to Social Security. But guess what? Many, many, many, many, particularly startups, don't have that ability for quite a long time. So the role Social Security plays is it provides not only a safety net, but it is actually a boon to entrepreneurship, and it is a boon to business formation in this country by providing a subsidy, basically, for business creation. And so many entrepreneurs are able to take advantage of this and not lose out on their critical retirement in the process.

And then, by the way, we always like to think that businesses will be successful. But what if businesses fail? And so the fact of the matter is that Social Security provides a failsafe that, you know, if a business idea is not successful, they don't lose out in the long term.

Mr. SCHNEIDER. Thank you. And I will yield back the few seconds I have left, but thank you. And again, I want to thank the witnesses for your time here today.

Chairman LARSON. Thank you, Mr. Schneider.

Mr. Arrington is recognized.

Mr. ARRINGTON. Thank you. Thank you, Mr. Chairman and Ranking Member, and I appreciate the spirit by which you approach this, you and the Ranking Member. If there were ever two congenial, patriotic, and practical people who could get it done in a partnership that was bipartisan, it is going to be you two. That is just my—in the short time I have known you two, I really believe that. And I hope we are able—I hope those words are from my mouth to God's ears and to your hearts and into the doing and the acting and execution of this Committee, because we really can't wait. And that is one of the principles that the Ranking Member and I share, and I know you do too, and that is we can't kick the can down the road, and it is just going to get worse if we do, as Ms. Ruff has stated.

And so I just want you to know I am open to finding a solution that will be probably equally painful for both sides. If it is not, I don't see us getting anywhere.

I am concerned about the taxes, and I am concerned that as we work together to solve this problem, we are clear about the facts surrounding the current economic growth. Growth in this economy is a part of the equation. It is not going to solve it, but it is a part. We can't grow out of this, like we can't grow out of the \$22 trillion in debt that we as a Nation are in, which is really a deferred tax, if we are going to talk about taxes on our children and grandchildren. But it is an important factor, as well as jobs and people working. And you have 7 million surplus jobs, and you have the same number of able-bodied male adults who are not working, age 25 to 50. That is deeply disconcerting.

So I think the facts, we have to at least put them on the table. Wages and income have grown. They have grown almost 3½ percent, and they are growing at the fastest rate since 2009. Income is up, wages are up, more jobs are coming online, and coming back to this country, and we have a 50-year low in unemployment. That is powerful. Let's just acknowledge that things are happening in a very positive way, and we are moving in the right direction since tax cuts, since we have relieved some of the job creators from the burden that they feel, among other things. We have not relieved them since Obamacare of the high cost of healthcare. I am not saying Republicans have come up with a solution that has passed and effectuated the change that we all desire which is more affordable healthcare, but I am saying that healthcare costs are crushing the small businessmen and women in this country. So we put them in a real pinch when we talk about even a relatively small tax increase. You get the response like we have heard from Mr. Semprevivo.

Let me ask you, just from a practical level, has the Tax Cuts and Jobs Act and the relief that you have experienced along with other small businesses who are the engine of job creation around the country, has that helped you? Has that given you some breathing room? Are you thinking more positive about your future? And are you investing in your company and growing? Just a quick response.

Mr. SEMPREVIVO. Absolutely. We hired more people in my company. We issued raises of up to \$5,250 per person.

Mr. ARRINGTON. So we don't want to go backward. We have five out of eight people living paycheck to paycheck. Sixty percent of the American people have less than \$1,000 in their cash on hand. So let's be careful in how we solve this. It will be tough, and we have to be open on both sides if we are going to do it.

One thing that I think, Mr. Chairman, I may propose today as the easiest bipartisan solution is with respect to the principle of making sure that we have equal treatment for all public servants. The WEP, the Windfall Elimination Provision, has affected my State as much as any, because we have a lot of teachers and firefighters that are working, that pay into their State retirement but also have covered income that goes through the Social Security system.

Now, the WEP was to get to parity. It didn't quite get there. We need to go all the way because we know how to do it, but let me

ask you this: How do we fix that provision whereby people get their—at 60, they get the information about what their retirement income is going to look like, and it doesn't include the WEP? It is without it, so they think it is actually more, in many cases, and that is creating chaos and confusion and deep, deep concern. That seems like an easy fix.

I know I am out of time, Mr. Chairman. Would you allow Ms. Ruff to just talk about a solution to that that we could consider?

Chairman LARSON. I will say this. We are going to have specific hearings on that alone, and as you are probably aware, both Mr. Brady and Mr. Neal have introduced legislation with respect to that. And we fully intend to have a hearing on that and to raise that issue.

Mr. ARRINGTON. I have gone over my time, and I thank you for the indulgence. I yield back.

Chairman LARSON. With that, I will recognize Mr. Higgins.

Mr. HIGGINS. Thank you, Mr. Chairman. Thank you for your leadership, particularly on Social Security 2021, your longstanding commitment to recognizing the value of Social Security for keeping people out of poverty, but also as an engine for economic growth in America.

Keeping people out of poverty, economic independence, economic self-sufficiency is very, very good public policy. Social Security has kept 22 million Americans out of poverty, including 1 million kids, 6 million adults under the age of 65, and 15 million adults over the age of 65.

My colleagues on the other side, who I believe are sincere, point to the tax cut, the corporate tax cut. According to the President's budget that was released yesterday, it will cost this government \$1.7 trillion over a 10-year period. We have now reached, because of that, trillion dollar annual deficits for the foreseeable future, at least for the next 4 years.

Corporate taxes don't pay for themselves. There is not a corporate tax in human history that has ever paid for itself. For every dollar that you give away in a corporate tax cut, you can hope, best-case scenario, to collect, to retain \$0.32. That is a 68 percent loss on investment to the American people.

My colleague talked about the job creators. The job creators are the American people. We have the strongest economy in the history of the world. The American economy is 70 percent consumption. When people have money, they spend it. When they spend it, they create aggregate demand. When you have aggregate demand, you have high growth rates. In the last 20 years, we have had economic growth hovering at about 2 percent. We are underperforming significantly as the American economy. The last time we had 4 percent sustained growth over 20 years ago, we didn't have budgetary deficits. We had budgetary surpluses of \$300 billion.

So when you look at the return on investment of Social Security benefits, according to most economists, for every dollar that you spend in Social Security benefits, that money is spent. Those people aren't putting that in savings accounts. It produces \$1 in economic growth. So in terms of return on investment, if you are going to compare a \$1.7 trillion tax cut, I would rather have \$1.7 trillion for

Social Security. Why? Because it will double. Your return on investment is 100 percent.

The proposed budget, \$4.75 trillion, is about 22.5 percent of the entire American economy. I just think that we have to begin to treat the American taxpayer much more respectfully in terms of how important the Federal Government budget is. It pays for scientific research. It carries the greatest burden for things like drug development. Private companies that make a bundle for these big blockbuster drugs don't do any of the basic science. The Federal Government does.

You know, every innovation in your smartphone, touch-screen technology, global positioning satellite, the Internet, these all came from government research dollars. And when, as economists say, they come down the cost curve and Steve Jobs takes all this and makes a billion smartphones in China, it doesn't benefit our economy. But American taxpayers have a huge, huge investment and are major, major job creators in this country.

So I would just say, respectfully and particularly in deference to the Chairman's bill on Social Security 2021, let's look at getting a greater return for our government spending. There is a lot of waste in government, but we have in this economy the greatest public-private partnership in the history of the world. And without government research, basic research, we are never going to get the commercial products and the commercial growth that is essential to the long-term fiscal stability of this country. And Social Security and investing more in it is a good investment in the growth of the American economy because it keeps people out of poverty.

With that, I will yield back, sir.

Chairman LARSON. I thank the gentleman from New York.

And it will always be the policy of this Chair when we are joined by Members of the Committee of the whole on the Subcommittee that they have an opportunity to question as well, and so we are honored to have Mr. Rice from South Carolina. I recognize him.

Mr. RICE. Thank you, Mr. Chairman.

I have been in Congress now for 6 years, and I really believe that my whole focus is on making America competitive. And if we could just solve about—there is really not that many—five or six major problems that we face, we could unleash the American economy and the American workforce, and a lot of these problems become a whole lot simpler.

One of these problems is Social Security is out of balance, and that is probably one of the easier ones to fix, actually, in terms of the math. Medicare is much harder. But we have to deal with these entitlements, and they are political hot potatoes, as everybody said. It is very difficult. Nothing is going to happen here if it is not bipartisan. Absolutely nothing is going to happen, and everybody has to come to that realization. So we have to get together and come up with a solution. And there is really not that many levers to pull. I mean, you can either increase taxes or you can cut benefits. There are different ways you can do that, all factor in.

So Sam Johnson introduced a plan that would balance Social Security for 75 years without raising one cent of taxes. It all has to do with raising the retirement age, cutting the initial benefit and reducing the COLA, the annual benefit cuts. Our Chairman here

has introduced an alternate plan that does it purely with raising taxes, and never the twain shall meet.

But what I will tell you is this: If we don't come up with a compromise solution that takes into account both those things, this problem is not going to get fixed. Because even if the House passed it, and that won't happen with the Chairman's plan. But even if the House passed it, it is not going any further than that.

So, you know, it sounds attractive. A cup of Starbucks and raise the taxes on those guys over there, the ones who make over \$400,000, put a 15 percent increase in their taxes, but think about the practicality of it. When fully in place, it raises the Social Security tax from 6.2 percent on each side, 12.4 to 14.8 percent. That is another 2.4 percent. Okay. You have your Uber driver, he makes \$40,000 a year. That 2.4 percent is a thousand dollars a year. And who doesn't think that is not a hard thing for that Uber driver who is making \$40,000 a year to pay an extra thousand dollars a year in Social Security taxes?

And I will tell you, that guy, you know—somebody was mentioning that people 25 to 35 don't have any retirement savings. If you polled them, do you think that those 25- to 35-year-olds would think they would rather keep that thousand dollars and not worry about Social Security? Because I will tell you this, I bet 80 percent of them don't believe they will ever get Social Security.

So that being said, you know, I totally agree that this is a promise that we made to our seniors, and we have to make it whole. And it is irresponsible that it hasn't been done until now. We have to make this thing golden. I think everybody in this room would agree with that. There have been a couple of alternate plans that have already been submitted. Republicans and Democrats submitted plans.

Ms. Ruff, with AARP, what's your plan?

Ms. RUFF. What we propose is that a lot of the points that have been raised here, they are all incredibly important to the discussion on Social Security. We do need a bipartisan bill. That is the only way we can have long-lasting solutions.

So our proposal is we have policies on many of the different areas, but the fact is they are all levers that need to be looked at together. What we propose—

Mr. RICE. But you don't have a plan, do you?

Ms. RUFF. No.

Mr. RICE. You don't have a specific plan to fix Social Security?

Ms. RUFF. No. What we do is we talk to our members. We get information from the members and we, in fact, want to help in this discussion so that people do understand what the pros and cons are of each approach, and then—

Mr. RICE. Thank you, ma'am. Thank you.

Ms. RUFF. That is where we are.

Mr. RICE. So I was looking at—somebody said before that life expectancies haven't risen for minorities, but I was actually looking at the tables a little while ago. And since the last time Social Security was fixed in 1982 or 1983, I think, when Ronald Reagan and Tip O'Neill got together—and what they did was a mix of tax increases and benefit cuts, basically. They increased the retirement

age from 65 to 67, and they raised the cap. I think the cap at that time was about \$30,000. Now it is \$130,000.

So, you know, in the end, that is what is going to end up having to happen here. And the truth is that across all demographics, since 1980, the life expectancy has increased about 5 years for everybody. So—it has. I just looked at the tables.

So in the end, what we are going to end up having to do is something similar to what they did, and everything is going to have to be on the table, and everything is going to have to be included if we want to actually reach a solution. I mean, we can argue and make points and tear each other down or we can try to find a solution to the problem.

I yield back, Mr. Chairman.

Chairman LARSON. Well, I thank the gentleman.

And I would just point out, we had a lot of talk about Uber drivers today, and I would just say, when that Uber driver gets involved in an accident and finds himself disabled and is looking around to make sure that he takes care of his children and his family, he is going to be awful glad that the only thing he had and the only guarantee that was there for him was Social Security.

And so I do think this has been informative. I want to thank the panelists, and I want to thank you for your patience. I hope in the future—and we intend to have a lot of followup where we are just going to have briefings too, because a number of Members have requested that, where we can go back and have a little more give and take, both in terms of panelists, but also in briefings and followups so that where there is a dispute on data or information, we can further jaw through that and ultimately come to a solution.

But I thank everybody for being here this afternoon, and—well, this morning and almost afternoon, and I look forward to our hearing tomorrow at 2 o'clock.

And with that, the Subcommittee stands adjourned.

[Whereupon, at 11:49 a.m., the Subcommittee was adjourned.]

[Questions for the Record follow:]

Question from Rep. Jodev Arrington

1. Certain public servants, such as Texas teachers, firefighters, and police officers, have their Social Security benefits calculated using a different formula due to the Windfall Elimination Provision (WEP). The WEP is a one-size-fits-all Washington compromise that does not account for an individual's actual earnings history. Previous Brady/Neal bills have replaced the WEP with a proportional approach that bases an individual's benefit amount on the proportion of their total earnings (covered and non-covered) that they paid Social Security taxes on. Does the AARP support this type of proportional approach?

ANSWER:

The Windfall Elimination Provision (or WEP) was intended to remove an unfair advantage that the Social Security benefit formula provided to workers who had earnings from work not covered by Social Security. This is because the Social Security benefit formula begins with a worker's average Social Security-covered earnings over a full career of 35 years. Zeros are entered for years in which a worker did not work in a Social Security-covered position and did not pay Social Security taxes on his or her earnings. When the Social Security Administration (SSA) averages a split-career worker's earnings over the full 35 years, a worker who has split time between covered and uncovered employment often appears to have been a lifetime "low earner." As such, this worker would gain from the progressive elements of the benefit formula by receiving a higher replacement rate of his or her earnings than the worker would receive if all the earnings had been subject to the Social Security payroll tax.

In 1983, Congress noted the unfairness in permitting split career workers a higher replacement rate than workers who had identical earnings, but who had never worked for an employer who did not participate in Social Security. Congress labelled this outcome a "windfall" for workers who split their careers between government and Social Security-covered work, and created the WEP to eliminate it. Congress reached a compromise on a one-size-fits-all fix. The current method for calculating the WEP adjustment uses the number of years a worker paid into Social Security, the amount he or she earned during that time, and the amount of the non-covered pension the individual receives. This method disregards earnings from jobs that did not require that worker to pay into Social Security, creating an inaccurate picture of the average amount a person earned during his or her lifetime (the basis of Social Security's benefit calculation). In addition, a worker's WEP reduction cannot exceed more than one half of the pension from the non-covered government work. Moreover, the WEP phases out for workers with 21-30 years of "substantial" Social Security-covered work.

The one-size-fits all approach of the current WEP formula has several drawbacks. It cannot address the great diversity in the earnings of state and local workers. Research has shown that the WEP can be regressive, disproportionately affecting lower earners. This is because the WEP reduction is limited to the first bracket of the benefit formula, which is the bracket involved in calculating most of the benefits payable to a low earner. In addition, low earners may be less likely than high earners to benefit from the provision that phases out the WEP after 30 years of "substantial" work, which means earnings of at least \$22,050 in 2016.

The Social Security Administration (SSA) now has data about earnings from jobs during which workers did not pay into Social Security. With this data, Congress should improve the WEP by directing the SSA to calculate the WEP for those who are receiving a pension from non-covered employment in a fairer and more straightforward manner. Finally, given the complexity of the WEP issue and the importance of Social Security benefits to recipients, any changes to the WEP should be made only after a thorough analysis of the impact on beneficiaries, including those with different earnings and career patterns.

[Submissions for the Record follow:]



SOCIAL SECURITY
Office of the Chief Actuary

January 30, 2019

The Honorable John Larson
Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

The Honorable Richard Blumenthal
United States Senate
Washington, D.C. 20510

The Honorable Chris Van Hollen
United States Senate
Washington, D.C. 20510

Dear Chairman Larson, Senator Blumenthal, and Senator Van Hollen:

I am writing in response to your request for estimates of the financial effects on Social Security of the *Social Security 2100 Act*, which you introduced today. The estimates provided here reflect the intermediate assumptions of the 2018 Trustees Report. This Bill (hereafter referred to as the proposal) includes eight provisions with direct effects on the Social Security Trust Funds. We have enjoyed working closely with Kathryn Olson, Scott Stephanou, Brian Steele, and Alyssa Penna of your staffs in developing this proposal to meet your goals. The estimates and analysis provided here reflect the combined effort of many in the Office of the Chief Actuary, but most particularly Karen Glenn, Christopher Chaplain, Daniel Nickerson, Kyle Burkhalter, Michael Clingman, Anna Kirjusina, Katie Sutton, and Tiffany Bosley.

The enclosed tables provide estimates of the effects of the eight provisions on the cost, income, and combined trust fund reserves for the Old Age, Survivors, and Disability Insurance (OASDI) program, as well as estimated effects on retired worker benefit levels for selected hypothetical workers and effects on payroll tax levels. In addition, tables 1b and 1b.n provide estimates of the federal budget implications of these eight provisions with direct effects on the OASDI program.

Assuming enactment of the proposal, we estimate that the combined Social Security Trust Fund would be fully solvent (able to pay all scheduled benefits in full on a timely basis) throughout the 75-year projection period, under the intermediate assumptions of the 2018 Trustees Report. (Note that section 204 of this proposal would combine the currently separate operations and reserves of the OASI and DI Trust Funds into a single Social Security Trust Fund.) In addition,

under this proposal the OASDI program would meet the further conditions for sustainable solvency, because projected combined trust fund reserves would be growing as a percentage of the annual cost of the program at the end of the long-range period.

The proposal includes eight provisions with direct effects on the OASDI program. The following list briefly identifies each provision of the proposal:

Section 101. Increase the first PIA formula factor from 90 percent to 93 percent for all benefits payable for months of entitlement January 2020 and later, including benefits for those becoming newly eligible both before and after January 2020.

Section 102. Use the Consumer Price Index for the Elderly (CPI-E) increase rather than the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increase to calculate the cost-of-living adjustment (COLA), effective for December 2019 and later COLAs. We assume this change would increase the COLA by an average of 0.2 percentage point per year.

Section 103. Increase the special minimum PIA, beginning for workers who become newly eligible for retirement or disability benefits or die in 2020 or later. For workers becoming newly eligible or dying in 2020, the minimum PIA for 2020 for workers with 30 or more years of coverage (YOCs) is 125 percent of the annual poverty guideline for a single individual published by the Department of Health and Human Services for 2019, divided by 12. For workers becoming newly eligible or dying after 2020, the minimum PIA for their initial year of eligibility is increased by the growth in the national average wage index (AWI). For all affected workers, the minimum PIA is increased after their year of initial eligibility by the COLA.

Section 104. Replace the current-law thresholds for federal income taxation of OASDI benefits with a single set of thresholds at \$50,000 for single filers and \$100,000 for joint filers for taxation of up to 85 percent of OASDI benefits, effective for tax year 2020. These thresholds would be fixed and not indexed to price inflation or average wage increase. The amount of revenue from taxation of OASDI benefits that would be allocated to the HI Trust Fund will be at the same level as if the current-law computation (in the absence of this provision) were applied. The net amount of revenue from taxing OASDI benefits, after the allocation to HI, would be allocated to the combined Social Security Trust Fund.

Section 201 and Section 202. Apply the combined OASDI payroll tax rate on covered earnings above \$400,000 paid in 2020 and later. Tax all covered earnings once the current-law taxable maximum exceeds \$400,000. Credit the additional earnings that are taxed for benefit purposes by: (a) calculating a second average indexed monthly earnings (“AIME+”) reflecting only additional earnings taxed above the current-law taxable maximum, (b) applying a 2-percent factor on this newly computed “AIME+” to develop a second component of the PIA, and (c) adding this second component to the current-law PIA.

Section 203. Increase the combined OASDI payroll tax rate to 14.8 percent, fully effective for 2043 and later. The combined rate is increased by 0.1 percentage point each year starting in 2020, reaching the ultimate 14.8 percent rate for 2043 and later.

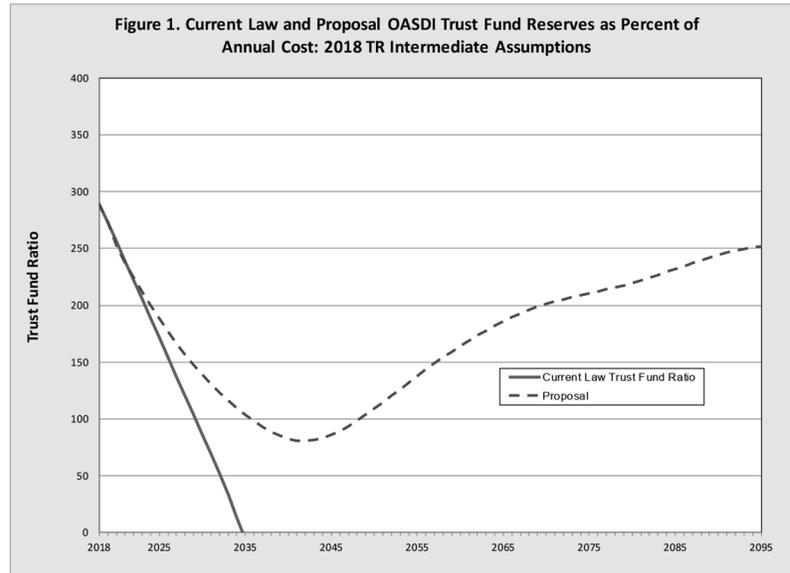
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Section 204. Beginning in 2020, establish a new Social Security Trust Fund by combining the reserves of the separate OASI and DI Trust Funds and managing all future financial operations of the program on a combined basis.

The balance of this letter provides a summary of the effects of the eight provisions on the actuarial status of the OASDI program, our understanding of the specifications and intent of each of the eight provisions, and descriptions of our detailed financial estimates for trust fund operations, benefit levels, and implications for the federal budget. See the “Specification for Provisions of the Proposal” section of this letter for a more detailed description of these eight provisions.

Summary of Effects of the Proposal on OASDI Actuarial Status

Figure 1 illustrates the projected OASDI Trust Fund ratio through 2092 under current law and assuming enactment of the proposal. The trust fund ratio is defined as the combined Social Security Trust Fund reserves expressed as a percent of annual program cost. Assuming enactment of the proposal, the combined Social Security Trust Fund would be fully solvent throughout the 75-year projection period, under the intermediate assumptions of the 2018 Trustees Report. In addition, because the projected trust fund ratio is increasing at the end of the period, the proposal meets the conditions for sustainable solvency.

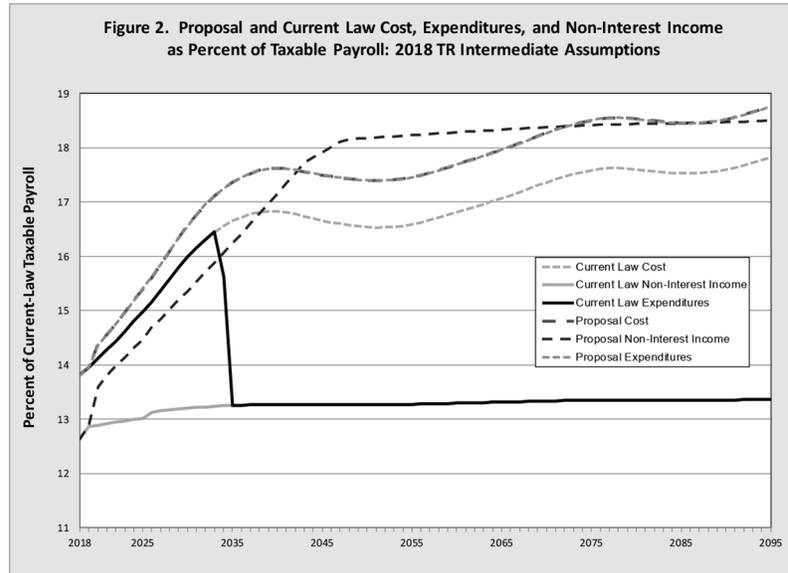


Note: *Trust Fund Ratio* for a given year is the ratio of reserves in the combined Social Security Trust Fund at the beginning of the year to the cost of the program for the year.

Under current law, 79 percent of scheduled benefits are projected to be payable on a timely basis in 2034 after depletion of the combined trust fund reserves, with the percentage payable declining to 74 percent for 2092. Under the proposal, the OASDI program would be solvent throughout the 75-year projection period, and would have the ability to pay 100 percent of scheduled benefits on a timely basis for the foreseeable future.

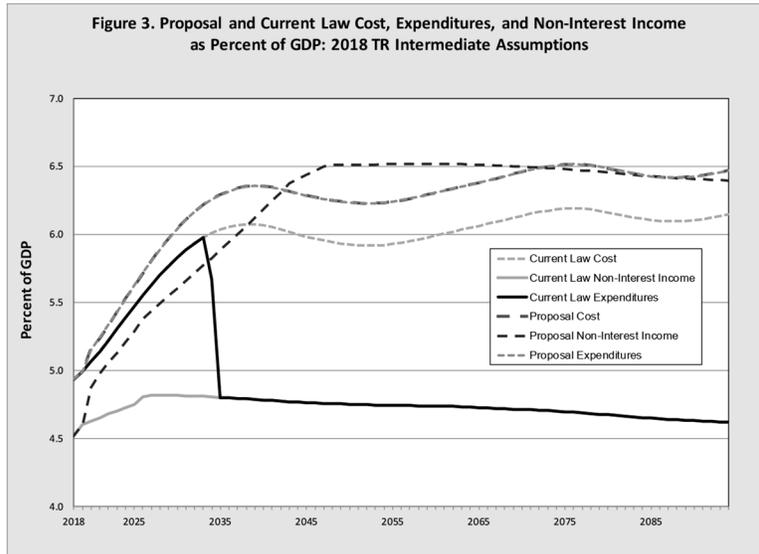
Enactment of the eight provisions of this proposal would change the long-range OASDI actuarial deficit from 2.84 percent of taxable payroll under current law to a positive actuarial balance of 0.25 percent of payroll under the proposal.

Figure 2 illustrates annual projected levels of cost, expenditures, and non-interest income as a percent of the current-law taxable payroll. The projected level of cost reflects the full cost of scheduled benefits under both current law and the proposal. Under the proposal, projected expenditures equal the full cost of scheduled benefits throughout the long-range period.



OASDI program annual cost under the proposal is higher than under current law, starting in 2020. This difference between proposal and current-law cost increases from 0.2 percent of current-law payroll for 2020 to 0.8 percent of current-law payroll for 2040, and thereafter increases more gradually, reaching 0.9 percent of current-law payroll for 2092. Beginning in 2020, non-interest income under the proposal is projected to be higher than under current law. This difference between proposal and current-law income increases from 0.7 percent of current-law payroll for 2020 to 4.9 percent of current-law payroll for 2050, and thereafter increases more gradually, reaching 5.1 percent of current-law payroll for 2092. For 2020 and later, the proposal improves the annual balance (non-interest income minus program cost).

It is also useful to consider the projected cost, expenditures, and income for the OASDI program expressed as a percentage of Gross Domestic Product (GDP). Figure 3 illustrates these levels under both current law and the proposal.



Specification for Provisions of the Proposal

Section 101. *Increase the first PIA factor to 93 percent for all beneficiaries beginning in 2020.*

This provision increases the first factor in the PIA formula from 90 to 93 percent for all benefits payable for months of eligibility January 2020 and later, including benefits for those becoming newly eligible both before and after January 2020.

We estimate that enactment of this provision alone would *increase* the long-range OASDI actuarial deficit by 0.24 percent of taxable payroll and would *increase* the annual deficit for the 75th projection year (2092) by 0.26 percent of payroll.

Section 102. *Use the CPI-E increase rather than the CPI-W increase to calculate the COLA, effective for December 2019 and later COLAs.*

Under current law, the annual cost-of-living adjustment (COLA) applied to Social Security benefits is calculated using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). We estimate that using the Consumer Price Index for the Elderly (CPI-E) increase rather than the CPI-W increase in each year beginning with the December 2019 COLA would increase the effective COLA by 0.2 percentage points per year on average.

We estimate that enactment of this provision alone would *increase* the long-range OASDI actuarial deficit by 0.40 percent of taxable payroll and would *increase* the annual deficit for the 75th projection year (2092) by 0.54 percent of payroll.

Section 103. Increase the special minimum PIA for workers who become newly eligible for retirement or disability benefits or die in 2020 or later.

Under this provision, the minimum initial PIA for workers becoming newly eligible or dying in 2020 with 30 or more years of coverage (YOCs) would be 125 percent of the annual poverty guideline for a single individual published by the Department of Health and Human Services for 2019, divided by 12. For those with less than 30 YOCs, the minimum PIA per YOC in excess of 10 YOCs is the minimum PIA for workers with 30 or more YOCs, divided by 20. Any year in which a worker earns 4 quarters of coverage is determined to be a YOC. For workers becoming newly eligible or dying after 2020, the initial PIA per YOC in excess of 10 YOCs is indexed by growth in the national average wage index (AWI) to determine the minimum PIA applicable for the year of initial eligibility. After the year of initial eligibility, the minimum benefit is increased by the COLA for each cohort. The 30 and 10 YOC levels apply for all workers, including those who die or become disabled under age 62.

We estimate that enactment of this provision alone would *increase* the long-range OASDI actuarial deficit by 0.12 percent of taxable payroll and would *increase* the annual deficit for the 75th projection year (2092) by 0.17 percent of payroll.

Section 104. Replace the current-law thresholds for federal income taxation of OASDI benefits with a single set of thresholds at \$50,000 for single filers and \$100,000 for joint filers, for taxation of up to 85 percent of OASDI benefits, effective for tax years 2020 and later.

Under current law, single tax filers with combined “income” (approximately equal to adjusted gross income plus non-taxable interest income and one-half of their Social Security benefit) greater than \$25,000 may have to pay income tax on up to 50 percent of their Social Security benefits. If combined “income” exceeds \$34,000, up to 85 percent of benefits may be taxable. The income tax revenue for taxing up to 50 percent of Social Security benefits is credited to the OASI and DI Trust Funds. The additional income tax revenue derived from taxing benefits in excess of 50 percent, up to 85 percent, is credited to the Hospital Insurance (HI) Trust Fund. The process is similar for joint tax filers, with \$32,000 and \$44,000 thresholds applying for possible taxation of up to 50 percent or 85 percent of the Social Security benefits, respectively. All threshold levels are fixed amounts and not indexed to price inflation or average wage increase.

Under the proposal, both sets of the current-law thresholds would be replaced with a single set of thresholds, \$50,000 and \$100,000 for single and joint filers, respectively, for taxing up to 85 percent of OASDI benefits, beginning for tax year 2020. These new thresholds would be unchanged for tax years after 2020. The amount of revenue from taxation of OASDI benefits that would be allocated to the HI Trust Fund would be at the same level as if the current-law computation (in the absence of this provision) were applied. The net amount of revenue from

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taxing OASDI benefits, after the allocation to HI, would be allocated to the combined Social Security Trust Fund.

We estimate that enactment of this provision alone would *increase* the long-range OASDI actuarial deficit by 0.16 percent of taxable payroll and would *increase* the annual deficit for the 75th projection year (2092) by 0.01 percent of payroll.

Section 201 and Section 202. Apply OASDI payroll tax rate on covered earnings above \$400,000 paid in 2020 and later. Reflect additional earnings subject to tax in computing the PIA.

These provisions apply the OASDI payroll tax rate to covered earnings above \$400,000 paid in 2020 and later. The \$400,000 level is a fixed amount after 2020 and not indexed to price inflation or average wage increase. All covered earnings would be taxed once the current-law taxable maximum exceeds \$400,000, which is projected to occur in 2048. Any covered earnings above the higher of \$400,000 or the current-law taxable maximum in a given year would be counted as “excess wages” and would be credited for benefit purposes by:

- a. Calculating a second average indexed monthly earnings (“AIME+”) reflecting only additional earnings taxed under this provision,
- b. Applying a 2-percent PIA factor to this newly computed “AIME+” to develop a second component of the PIA, and
- c. Adding this second PIA component to the current-law PIA.

We estimate that enactment of these two provisions alone would reduce the long-range OASDI actuarial deficit by 1.90 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2092) by 2.35 percent of payroll.

Section 203. Increase the OASDI payroll tax rate to 14.8 percent, fully effective for 2043 and later.

The increase in the OASDI payroll tax rate is phased in by increasing the payroll tax rate by 0.05 percentage point for employers and 0.05 percentage point for employees (0.10 percentage point total), every year from 2020 through 2043. For years 2043 and later, the OASDI payroll tax rate is 7.4 percent for employers and 7.4 percent for employees (14.8 percent total), up from 6.2 percent each (12.4 percent total) under current law.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 1.81 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2092) by 2.38 percent of payroll.

Section 204. Combine the separate OASI and DI Trust Funds effective in 2020.

Beginning in 2020, establish a new Social Security Trust Fund by combining the reserves of the separate OASI and DI Trust Funds and managing all future financial operations of the program on a combined basis. This provision alone would not change scheduled benefits or income in the law.

Enactment of this provision alone would have a negligible effect (between -0.005 and 0.005 percent of taxable payroll) on the long-range OASDI annual balance and on the annual deficit for the 75th projection year (2092).

Detailed Financial Results for the Provisions of the Proposal

Summary Results by Provision

Table A provides estimates of the effects on the OASDI long-range actuarial balance of the eight provisions of the proposal separately and on a combined basis. The table also includes estimates of the effect of the provisions on the annual balance (the difference between income rate and the cost rate, expressed as a percent of current-law taxable payroll) for the 75th projection year, 2092. Interaction among individual provisions is reflected only in the total estimates for the combined provisions.

Benefit Illustrations

Tables B1 and B2 provide illustrative examples of the projected change in benefit levels under the provisions of the proposal for beneficiaries retiring and starting benefit receipt at age 65 in future years at six selected earnings levels, with selected numbers of years of work. The “Maximum-AIME Steady Earner” is assumed to have earnings at ages 22 through 64 that equal the current-law taxable maximum level (equivalent to \$128,400 for 2018) and the “Twice Maximum-AIME Steady Earner” is assumed to have earnings at ages 22 through 64 that equal twice the current-law taxable maximum level (equivalent to \$256,800 for 2018). As a result, the provision to tax and credit earnings above the current-law taxable maximum affects only the “Twice Maximum-AIME Steady Earner” benefit level. **Table B3** provides additional important information on characteristics of retired workers represented by these illustrations for the year 2007.

The first several columns of Table B1 compare the initial scheduled benefit levels, assuming retirement at age 65 under the provisions of the proposal, to scheduled current-law benefit levels. All scheduled benefit amounts under the proposal are higher than those scheduled in current law, with the largest increases for the very-low and low hypothetical earners with at least 30 years of earnings (due largely to the minimum benefit provision). The final three columns of this table show the level of scheduled benefits under the proposal as a percentage of current-law scheduled benefits, the level of scheduled benefits under the proposal as a percentage of current-law payable benefits, and the level of payable benefits under the proposal as a percentage of current-law payable benefits, respectively.

Table B2 compares the change in scheduled benefit levels at ages 65, 75, 85, and 95 under the proposal to scheduled benefits under current law, assuming retirement and start of benefit receipt at age 65. Table B2 shows that projected scheduled benefits under the provisions of the proposal increase in relation to current-law scheduled benefits between ages 65 and 95, because of the change in computing the COLA.

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The hypothetical workers represented in these tables reflect average career-earnings patterns of workers who started receiving retirement benefits under the Social Security program in recent years. The tables subdivide workers with very-low, low, and medium career-average earnings levels by their numbers of years of non-zero earnings.

Table B3 provides information helpful in interpreting the benefit illustrations in Tables B1 and B2. Percentages in Table B3 are based on tabulations from a 10-percent sample of newly-entitled retired workers in 2007. Table B3 displays the percentages of these newly-entitled retired workers in 2007 that are closest to each of the illustrative examples and are:

- 1) “Dually Entitled”, meaning they received a higher spouse or widow(er) benefit based on the career earnings of their husband or wife,
- 2) “WEP” (Windfall Elimination Provision), meaning that they received a reduced benefit due to having a pension based on earnings that were not covered under the OASDI program (primarily certain government workers), and they had less than 30 years of substantial earnings that were taxable under the OASDI program,
- 3) “Foreign Born”, meaning that they entered the Social Security coverage area after birth (and generally after entering working ages), and
- 4) “All Others”, meaning they had none of the three characteristics listed above.

The extent to which retired-worker beneficiaries represented by each of the illustrative examples have any of the characteristics listed above (dually entitled, WEP, foreign born) is important because such individuals are less dependent on the OASDI benefit that relates to their own career-average earnings level. It should be noted that the distributions shown in Table B3 for retirees in 2007 will be changing somewhat for beneficiaries becoming entitled as retired-worker beneficiaries in the future.

Payroll Tax Effects

Table T compares the scheduled payroll tax levels under the provisions of the proposal to scheduled current-law payroll tax levels. Under the proposal, the currently scheduled payroll tax rate of 12.4 percent would be gradually increased to 14.8 percent for 2043 and later. At that point, the amount of payroll tax paid by workers earning at the level of the current-law taxable maximum amount or below would be increased by 19.4 percent. Because the payroll tax would additionally apply to annual earnings in excess of \$400,000 starting in 2020, payroll tax liability would increase by more than 19.4 percent for some workers earning over the higher of \$400,000 and the current-law taxable maximum amount even before 2043. For example, Table T shows that the worker with earnings at twice the current-law taxable maximum in 2030 would have payroll tax liability increased by 17.7 percent. By 2050, workers with earnings at twice the current-law taxable maximum would have payroll tax liability increased by 138.7 percent.

Detailed Tables Containing Annual and Summary Projections

Enclosed with this letter are **tables 1, 1a, 1b, 1b.n, 1c, and 1d**, which provide annual and summary projections for the proposal.

Trust Fund Operations

Table 1 provides projections of the financial operations of the OASDI program under the proposal and shows that the combined Social Security Trust Fund would be fully solvent throughout the 75-year projection period. The OASDI program would also be solvent for the foreseeable future (sustainably solvent), because the trust fund ratio is projected to rise by the end of the period, 2093.

The table shows the annual cost and income rates, annual balances, and trust fund ratios (reserves as percent of annual program cost) for OASDI, as well as the change from current law in these cost rates, income rates, and annual balances. Included at the bottom of this table are summarized rates for the 75-year (long-range) period.

For 2020 and later, the proposal improves the annual balance (non-interest income minus program cost). The improvement in the annual balance increases from 0.5 percent of current-law payroll for 2020 to 4.1 percent for 2050, and thereafter increases slightly to 4.2 percent for 2092. Under the proposal, the annual deficit declines from 1.2 percent of current-law payroll for 2018 to 0.7 percent for 2021, generally increases to 1.2 percent for 2032, and then declines until the annual balance turns positive for 2043. The annual balance increases to 0.8 percent for 2052 and then declines steadily through 2073, at which point the annual balance becomes negative, ultimately reaching an annual deficit of 0.1 percent of current-law payroll for 2092. Under current law, the projected annual deficit for 2092 is 4.3 percent of payroll.

The actuarial balance for the OASDI program over the 75-year projection period is improved by 3.10 percent of taxable payroll, from an actuarial deficit of 2.84 percent of payroll under current law to a positive actuarial balance of 0.25 percent of taxable payroll under the proposal.

Program Transfers and Trust Fund Reserves

Column 4 of **Table 1a** provides a projection of the level of reserves for the combined Social Security Trust Fund, assuming enactment of the eight Social Security provisions of the proposal. These trust fund reserve amounts are expressed in present value dollars discounted to January 1, 2018. The table indicates that the provisions include no new specified transfers of general revenue to the combined Social Security Trust Fund. For purpose of comparison, the OASDI Trust Fund reserves, expressed in present value dollars, are also shown for the current-law Social Security program both without and with the added proposal general fund transfers (zero in this case) in columns 6 and 7.

Note that negative values in columns 6 and 7 represent the “unfunded obligation” for the program through the year. The unfunded obligation is the present value of the shortfall of revenue needed to pay full scheduled benefits on a timely basis from the date of trust fund reserve depletion through the end of the indicated year. Gross Domestic Product (GDP), expressed in present value dollars, is shown in column 5 for comparison with other values in the table.

Effect of the Social Security Provisions on the Federal Budget

Table 1b shows the projected effect, in present value discounted dollars, on the federal budget (unified-budget and on-budget) annual cash flows and balances, assuming enactment of the eight Social Security provisions of the proposal. We note that section 105 of the Bill provides for “holding SSI, Medicaid, and CHIP beneficiaries harmless” from potential implications of the other sections in the Bill. Our analysis provided in these tables does not reflect the effects on these programs under the on-budget operations of the federal government. **Table 1b.n** provides the estimated nominal dollar effect of enactment of the proposal on annual budget balances for years 2018 through 2028. All values in these tables represent the amount of *change* from the level projected under current law. In addition, changes reflect the *budget scoring convention* that presumes benefits, not payable under the law after depletion of trust fund reserves, would still be paid using revenue provided from the General Fund of the Treasury. The reader should be cautioned that this presumption of payment of benefits beyond the resources of the trust funds is prohibited under current law and is also inconsistent with all past experience under the Social Security program.

Column 1 of Table 1b shows the added proposal general fund transfers (zero for this proposal). Column 2 shows the net changes in OASDI cash flow from all provisions of the proposal.

We project the net effect of the proposal on unified budget cash flow (column 3) to be positive in years 2020 and later, primarily due to the payroll tax rate increase in provision 6 and the payroll tax newly applied to earnings above \$400,000 in provision 5.

Column 4 of Table 1b indicates that the effect of implementing the proposal is a reduction of the theoretical federal debt held by the public, reaching about \$15.3 trillion in present value at the end of the 75-year projection period. Column 5 provides the projected effect of the proposal on the annual unified budget balances, including both the cash flow effect in column 3 and the additional interest on the accumulated debt in column 4. Columns 6 and 7 indicate that the provisions of this proposal would have no expected direct effects on the on-budget cash flow, or on the total federal debt, in the future.

It is important to note that we base these estimates on the intermediate assumptions of the 2018 Trustees Report, so these estimates are not consistent with estimates made by the Office of Management and Budget or the Congressional Budget Office based on their assumptions. In particular, all present values are discounted using trust fund yield assumptions under the intermediate assumptions of the 2018 Trustees Report.

Annual Trust Fund Operations as a Percent of GDP

Table 1c provides annual cost, annual expenditures (amount that would be payable), and annual tax income for the OASDI program expressed as a percentage of GDP for both current law and assuming enactment of the eight Social Security provisions of the proposal. Showing the annual trust fund cash flows as a percent of GDP provides an additional perspective on these trust fund operations in relation to the total value of goods and services produced in the United States. The relationship between income and cost is similar when expressed as a percent of GDP to that when expressed as a percent of taxable payroll (Table 1). Under this proposal, expenditures are

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estimated to equal total cost for all projection years because proposal income is estimated to be sufficient to pay full scheduled benefits throughout the period.

Effects on Trust Fund Reserves and Unfunded Obligations

Table 1d provides estimates of the changes in trust fund reserves and unfunded obligations on an annual basis. Values in this table are expressed in present value dollars discounted to January 1, 2018.

For the 75-year (long-range) period as a whole, the current-law unfunded obligation of \$13.2 trillion is replaced by a positive trust fund reserve of \$2.1 trillion in present value assuming enactment of the proposal. This change of \$15.3 trillion results from:

- A \$18.9 trillion net increase in revenue (column 2), primarily from additional payroll tax, *minus*
- A \$3.7 trillion net increase in cost (column 3), primarily from the special minimum PIA provision, the change in computing the COLA, increases in current and future benefits from replacing the 90 percent factor in the PIA formula with 93 percent, and additional benefits from earnings taxed above the current-law taxable maximum.

We hope these estimates are helpful. Please let me know if we may provide further assistance.

Sincerely,



Stephen C. Goss, ASA, MAAA
Chief Actuary

Enclosures

Table A—Estimated Long-Range OASDI Financial Effects of the “Social Security 2100 Act” (116th Congress), Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen		
Provision	Estimated Change in Long-Range OASDI Actuarial Balance ¹ (as a percent of payroll)	Estimated Change in Annual Balance for 75 th year ² (as a percent of payroll)
Section 101) Increase the first PIA formula factor from 90 percent to 93 percent for all benefits payable for months of entitlement January 2020 and later, including benefits for those becoming newly eligible both before and after January 2020	-0.24	-0.26
Section 102) Use the increase in the Consumer Price Index for the Elderly (CPI-E) rather than the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to calculate the cost-of-living adjustment (COLA), effective for December 2019 and later COLAs. We estimate this new computation would increase the annual COLA by about 0.2 percentage point, on average	-0.40	-0.54
Section 103) Beginning in 2020, reconfigure the special minimum PIA for workers becoming newly eligible or dying after 2019: (a) A year of coverage (YOC) is defined as a year in which 4 quarters of coverage are earned. (b) For those becoming newly eligible or dying in 2020 with 30 or more YOCs, set the minimum PIA equal to 125 percent of the 2019 Department of Health and Human Services (HHS) monthly poverty level. For those with under 30 YOCs, the PIA per YOC in excess of 10 YOCs is 125 percent of this poverty level calculation, divided by 20. (c) For workers becoming newly eligible or dying after 2020, index the initial PIA per YOC by growth in the national average wage index (AWI). The 30 and 10 YOC levels apply for all workers, including those who die or become disabled under age 62.....	-0.12	-0.17
Section 104) Increase the thresholds for taxation of up to 85 percent of OASDI benefits, to \$50,000 for single filers and \$100,000 for joint filers, effective for tax year 2020. These thresholds would be fixed and not indexed to price inflation or average wage increase. The amount of revenue from taxation of OASDI benefits that would be allocated to the HI Trust Fund would be the same as if the current-law computation (in the absence of this provision) applied. The net amount of revenue from taxing OASDI benefits, after the allocation to HI, would be allocated to the combined Social Security Trust Fund.....	-0.16	-0.01

Table A—Estimated Long-Range OASDI Financial Effects of the “Social Security 2100 Act” (116th Congress), Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen		
Provision	Estimated Change in Long-Range OASDI Actuarial Balance ¹ (as a percent of payroll)	Estimated Change in Annual Balance for 75 th year ² (as a percent of payroll)
Section 201 and Section 202) Apply the OASDI payroll tax rate on covered earnings above \$400,000 paid in 2020 and later, and tax all covered earnings once the current-law taxable maximum exceeds \$400,000. Credit the additional earnings taxed for benefit purposes by: (a) calculating a second average indexed monthly earnings (“AIME+”) reflecting only earnings taxed above the current-law taxable maximum, (b) applying a 2 percent factor on this newly computed “AIME+” to develop a second component of the PIA, and (c) adding this second component to the current-law PIA.....	1.90	2.35
Section 203) Increase the combined OASDI payroll tax rate to 14.8 percent, fully effective for 2043 and later. The combined rate is increased by 0.1 percentage point each year starting in 2020, reaching the ultimate 14.8 percent rate for 2043 and later.....	1.81	2.38
Section 204) Beginning in 2020, establish a new Social Security Trust Fund by combining the reserves of the separate OASI and DI Trust Funds and managing all future operations of the program on a combined basis.....	3	3
Total for all provisions, including interaction.....	3.10	4.19
¹ Under current law, the estimated long-range OASDI actuarial balance is -2.84 percent of taxable payroll. ² Under current law, the estimated 75 th year annual balance is -4.32 percent of taxable payroll. ³ Negligible; that is, between -0.005 and 0.005 percent of taxable payroll.		
Notes: All estimates are based on the intermediate assumptions of the 2018 OASDI Trustees Report. Estimates of individual provisions appear on a stand-alone basis relative to current law, unless otherwise stated.		
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Table B1. Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65 "Social Security 2100 Act," Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen										
Year	Scheduled Benefit Level Percent Change at age 65					Benefit Ratios				
	Current Law Scheduled Monthly Benefits ¹		Benefit Formula ²	Minimum Benefit ³	Total ⁴	Proposal Scheduled to Current Law	Proposal Scheduled to Current Law	Proposal Payable to Current Law	Proposal Payable to Current Law	Proposal Payable to Current Law
Attain	(Wage-Indexed 2018 Dollars)	(CPI-Indexed 2018 Dollars)				COLA ⁵	Benefit Formula ²	Benefit ⁶	Benefit ⁶	Total ⁴
Age 65				(Percent change)					(Percents)	
Very-Low-AIME (\$12,974 for 2018¹) 30-Year Scaled Earner (10.1% of Retirees²)										
2018	744	744	0.0	0.0	0.0	0.0	0.0	100	100	100
2030	695	838	0.6	3.2	38.9	44.2	144	144	144	144
2050	700	1,074	0.6	3.2	38.9	44.2	144	182	182	182
2080	703	1,521	0.6	3.2	38.9	44.2	144	194	194	194
Very-Low-AIME (\$12,974 for 2018¹) 20-Year Scaled Earner (5.3% of Retirees²)										
2018	744	744	0.0	0.0	0.0	0.0	100	100	100	100
2030	695	838	0.6	3.2	0.0	3.8	104	104	104	104
2050	700	1,074	0.6	3.2	0.0	3.8	104	131	131	131
2080	703	1,521	0.6	3.2	0.0	3.8	104	139	139	139
Very-Low-AIME (\$12,974 for 2018¹) 14-Year Scaled Earner (4.1% of Retirees²)										
2018	744	744	0.0	0.0	0.0	0.0	100	100	100	100
2030	695	838	0.6	3.2	0.0	3.8	104	104	104	104
2050	700	1,074	0.6	3.2	0.0	3.8	104	131	131	131
2080	703	1,521	0.6	3.2	0.0	3.8	104	139	139	139
Low-AIME (\$23,553 for 2018¹) 44-Year Scaled Earner (17.1% of Retirees²)										
2018	974	974	0.0	0.0	0.0	0.0	100	100	100	100
2030	910	1,098	0.6	2.4	6.9	10.1	110	110	110	110
2050	916	1,405	0.6	2.4	6.9	10.1	110	139	139	139
2080	920	1,990	0.6	2.4	6.9	10.2	110	148	148	148
Low-AIME (\$23,553 for 2018¹) 30-Year Scaled Earner (4.4% of Retirees²)										
2018	974	974	0.0	0.0	0.0	0.0	100	100	100	100
2030	910	1,098	0.6	2.4	6.9	10.1	110	110	110	110
2050	916	1,405	0.6	2.4	6.9	10.1	110	139	139	139
2080	920	1,990	0.6	2.4	6.9	10.2	110	148	148	148
Low-AIME (\$23,553 for 2018¹) 20-Year Scaled Earner (1.7% of Retirees²)										
2018	974	974	0.0	0.0	0.0	0.0	100	100	100	100
2030	910	1,098	0.6	2.4	0.0	3.0	103	103	103	103
2050	916	1,405	0.6	2.4	0.0	3.0	103	130	130	130
2080	920	1,990	0.6	2.4	0.0	3.0	103	138	138	138
Medium-AIME (\$51,894 for 2018¹) 44-Year Scaled Earner (28.6% of Retirees²)										
2018	1,605	1,605	0.0	0.0	0.0	0.0	100	100	100	100
2030	1,500	1,810	0.6	1.5	0.0	2.1	102	102	102	102
2050	1,510	2,317	0.6	1.5	0.0	2.1	102	129	129	129
2080	1,517	3,281	0.6	1.5	0.0	2.1	102	137	137	137
Medium-AIME (\$51,894 for 2018¹) 30-Year Scaled Earner (2.2% of Retirees²)										
2018	1,605	1,605	0.0	0.0	0.0	0.0	100	100	100	100
2030	1,500	1,810	0.6	1.5	0.0	2.1	102	102	102	102
2050	1,510	2,317	0.6	1.5	0.0	2.1	102	129	129	129
2080	1,517	3,281	0.6	1.5	0.0	2.1	102	137	137	137
High-AIME (\$83,031 for 2018¹) 44-Year Scaled Earner (19.1% of Retirees²)										
2018	2,127	2,127	0.0	0.0	0.0	0.0	100	100	100	100
2030	1,986	2,396	0.6	1.1	0.0	1.7	102	102	102	102
2050	1,999	3,068	0.6	1.1	0.0	1.7	102	129	129	129
2080	2,009	4,345	0.6	1.1	0.0	1.7	102	137	137	137
Maximum-Current-Law-AIME (\$128,400 for 2018¹) 43-Year Steady Earner (7.1% of Retirees²)										
2018	2,590	2,590	0.0	0.0	0.0	0.0	100	100	100	100
2030	2,430	2,932	0.6	0.9	0.0	1.5	102	102	102	102
2050	2,445	3,751	0.6	0.9	0.0	1.5	102	128	128	128
2080	2,449	5,296	0.6	0.9	0.0	1.5	102	136	136	136
Twice Maximum-Current-Law-AIME (\$256,800 for 2018¹) 43-Year Steady Earner³										
2018	2,590	2,590	0.0	0.0	0.0	0.0	100	100	100	100
2030	2,430	2,932	0.6	0.9	0.0	1.5	102	102	102	102
2050	2,445	3,751	0.6	0.9	0.0	4.0	104	132	132	132
2080	2,449	5,296	0.6	0.9	0.0	8.3	108	146	146	146

¹ Average of highest 35 years of taxable earnings wage indexed to 2018. For the Maximum and Twice Maximum-Current-Law-AIME workers, we show one times and two times the 2018 taxable maximum, respectively.

² Projected percent of new retired worker awards in 2050 with current-law AIME levels and years of covered earnings closest to AIME levels and years of covered earnings shown.

³ If all earnings were considered, unlimited by annual taxable maximums, then about 1.5 percent of all retirees would have an AIME closer to Twice Maximum-Current-Law than Maximum-Current-Law.

⁴ After the trust fund reserves deplete under current law continuing taxes are expected to be enough to pay about three fourths of scheduled benefits.

⁵ Starting Dec 2019, compute the COLA using a CPI-E, producing 0.2% higher annual COLAs on average.

⁶ For benefits payable beginning in 2020, increase the 90 percent PIA factor to 93 percent. Starting in 2020, apply the OASDI payroll tax rate on earnings above \$400,000, and tax all earnings once the current-law taxable maximum exceeds \$400,000. Credit the additional earnings for benefit purposes by: (a) calculating a second average indexed monthly earnings ("AIME**") reflecting only earnings taxed above the current law taxable maximum, (b) applying a 2 percent factor on this newly computed "AIME**" to develop a second component of the PIA, and (c) adding this second component to the first PIA component.

⁷ For beneficiaries newly eligible in 2020, establish a minimum PIA level such that a worker with 30/10 years of coverage would receive a minimum PIA for 2020 of at least 125%/0% of the monthly poverty level for 2019. For beneficiaries newly eligible after 2020, the minimum PIA level for their initial year of eligibility would be adjusted for average wage growth. The minimum PIA is increased after the year of initial eligibility by the COLA. The Minimum Benefit Percent change is calculated after all other provisions, so that the Proposed Benefit Amount is at least the Minimum Benefit, where applicable.

⁸ This analysis reflects only the provisions of the proposal identified in the table and described in the footnotes above.

All estimates based on the intermediate assumptions of the 2018 Trustees Report.

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**Table B2. Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65
"Social Security 2100 Act," Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen**

Year Attain Age 65	Proposed Scheduled Benefit as Percent of Current Law Scheduled			
	Age 65	Age 75	Age 85	Age 95
		(Percent)		
		Very-Low-AIME (\$12,974 for 2018¹) 30-Year Scaled Earner (10.1% of Retirees²)		
2018	100.0	105.0	107.1	109.2
2030	144.2	147.0	149.9	152.8
2050	144.2	147.0	149.9	152.8
2080	144.2	147.0	149.9	152.8
		Very-Low-AIME (\$12,974 for 2018¹) 20-Year Scaled Earner (5.3% of Retirees²)		
2018	100.0	105.0	107.1	109.2
2030	103.8	105.8	107.9	110.0
2050	103.8	105.8	107.9	110.0
2080	103.8	105.8	107.9	110.0
		Very-Low-AIME (\$12,974 for 2018¹) 14-Year Scaled Earner (4.1% of Retirees²)		
2018	100.0	105.0	107.1	109.2
2030	103.8	105.8	107.9	110.0
2050	103.8	105.8	107.9	110.0
2080	103.8	105.8	107.9	110.0
		Low-AIME (\$23,353 for 2018¹) 44-Year Scaled Earner (17.1% of Retirees²)		
2018	100.0	104.3	106.3	108.4
2030	110.1	112.3	114.5	116.8
2050	110.1	112.3	114.5	116.8
2080	110.2	112.3	114.5	116.8
		Low-AIME (\$23,353 for 2018¹) 30-Year Scaled Earner (4.4% of Retirees²)		
2018	100.0	104.3	106.3	108.4
2030	110.1	112.3	114.5	116.8
2050	110.1	112.3	114.5	116.8
2080	110.2	112.3	114.5	116.8
		Low-AIME (\$23,353 for 2018¹) 20-Year Scaled Earner (1.7% of Retirees²)		
2018	100.0	104.3	106.3	108.4
2030	103.0	105.1	107.1	109.2
2050	103.0	105.1	107.1	109.2
2080	103.0	105.1	107.1	109.2
		Medium-AIME (\$51,894 for 2018¹) 44-Year Scaled Earner (28.6% of Retirees²)		
2018	100.0	103.3	105.3	107.4
2030	102.1	104.1	106.1	108.2
2050	102.1	104.1	106.1	108.2
2080	102.1	104.1	106.1	108.2
		Medium-AIME (\$51,894 for 2018¹) 30-Year Scaled Earner (2.2% of Retirees²)		
2018	100.0	103.3	105.3	107.4
2030	102.1	104.1	106.1	108.2
2050	102.1	104.1	106.1	108.2
2080	102.1	104.1	106.1	108.2
		High-AIME (\$83,031 for 2018¹) 44-Year Scaled Earner (19.1% of Retirees²)		
2018	100.0	102.9	104.9	107.0
2030	101.7	103.7	105.7	107.8
2050	101.7	103.7	105.7	107.8
2080	101.7	103.7	105.7	107.8
		Maximum-Current-Law-AIME (\$128,400 for 2018¹) 43-Year Steady Earner (7.1% of Retirees²)		
2018	100.0	102.7	104.7	106.8
2030	101.5	103.5	105.5	107.6
2050	101.5	103.5	105.5	107.6
2080	101.5	103.5	105.5	107.6
		Twice Maximum-Current-Law-AIME (\$256,800 for 2018¹) 43-Year Steady Earner³		
2018	100.0	102.7	104.7	106.8
2030	101.5	103.5	105.5	107.6
2050	104.0	106.0	108.1	110.3
2080	108.3	110.5	112.6	114.9

¹ Average of highest 35 years of taxable earnings wage indexed to 2018. For the Maximum and Twice Maximum-Current-Law-AIME workers, we show one times and two times the 2018 taxable maximum, respectively.

² Projected percent of new retired worker awards in 2050 with current-law AIME levels and years of covered earnings closest to AIME levels and years of covered earnings shown.

³ If all earnings were considered, unlimited by annual taxable maximums, then about 1.5 percent of all retirees would have an AIME closer to Twice Maximum-Current-Law than Maximum-Current-Law.

Note:

- Starting Dec 2019, compute the COLA using a CPI-E, producing 0.2% higher annual COLAs on average.
- For benefits payable beginning in 2020, increase the 90 percent PIA factor to 93 percent. Starting in 2020, apply the OASDI payroll tax rate on earnings above \$400,000, and tax all earnings once the current-law taxable maximum exceeds \$400,000. Credit the additional earnings for benefit purposes by: (a) adding a second average indexed monthly earnings ("AIME+") reflecting only earnings taxed above the current law taxable maximum, (b) applying a 2 percent factor on this newly computed "AIME+" to develop a second component of the PIA, and (c) adding this second component to the first PIA component.
- For beneficiaries newly eligible in 2020, establish a minimum PIA level such that a worker with 30/10 years of coverage would receive a minimum PIA for 2020 of at least 125% of the monthly poverty level for 2019. For beneficiaries newly eligible after 2020, the minimum PIA level for their initial year of eligibility would be adjusted for average wage growth. The minimum PIA is increased after the year of initial eligibility by the COLA.
- This analysis reflects only the provisions of the proposal identified in the table and described above.

All estimates based on the intermediate assumptions of the 2018 Trustees Report.

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Table B3. Important Characteristics of Hypothetical Workers in 2007				
Category	Percent of Beneficiaries Within Each Category That Are:			
	Dually Entitled²	WEP³	Foreign Born	All Others⁴
Very-Low-AIME (\$10,101 for 2007¹):				
30-Year Scaled Earner (9.3% of Retirees)	47	6	11	40
20-Year Scaled Earner (5.8% of Retirees)	38	16	21	31
14-Year Scaled Earner (5.3% of Retirees)	22	21	45	20
Low-AIME (\$18,182 for 2007¹):				
44-Year Scaled Earner (13.1% of Retirees)	15	2	6	78
30-Year Scaled Earner (5.9% of Retirees)	16	9	18	59
20-Year Scaled Earner (3.1% of Retirees)	10	23	35	37
Medium-AIME (\$40,405 for 2007¹):				
44-Year Scaled Earner (23.0% of Retirees)	1	1	5	93
30-Year Scaled Earner (4.4% of Retirees)	1	8	26	67
High-AIME (\$64,649 for 2007¹):				
44-Year Scaled Earner (20.5% of Retirees)	0	0	6	93
Maximum-Current-Law-AIME (\$82,224 for 2007¹):				
Steady Earner (9.4% of Retirees)	0	0	7	93
<p>Note 1: Table B3 displays the percentages of these newly-entitled retired workers in 2007 that are closest to each of the illustrative examples.</p> <p>Note 2: The percents in each category are based on tabulations of a 10-percent sample of newly entitled retired-worker beneficiaries in 2007 (169,725 records). We can be 95 percent confident that each of the values shown above is within 1.4 percentage points of the value we would find using 100 percent of the retirees in 2007.</p> <p>Note 3: The sum of the percentages for each category (sum across rows) could be greater than 100 percent because some beneficiaries can be classified in more than one of the following groups: dually entitled, WEP, and foreign born.</p> <p>¹ Average of highest 35 years of taxable earnings wage indexed to 2007.</p> <p>² Under current law, entitled to an additional benefit based on someone else's account. The dually entitled percent is a minimum value. Some beneficiaries that are not currently dually entitled could become dually entitled in the future.</p> <p>³ Covered by pension from government employment and are subject to the windfall elimination provision (WEP).</p> <p>⁴ Neither foreign born, subject to WEP, or dually entitled.</p>				
Office of the Chief Actuary, Social Security Administration				March 21, 2017

Table T. Changes in Payroll Tax Contributions (Employee + Employer) for Workers with OASDI Covered Earnings in the Year "Social Security 2100 Act," Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen						
Earnings in Year	Current Law Scheduled		Scheduled Payroll Taxes Percent Change			Proposal Scheduled Payroll Taxes Percent of Current Law (Percent)
	Monthly Total Payroll Taxes		Payroll Tax Rate ²	Taxable Maximum ¹ (Percent change)	Total	
	(Wage-Indexed 2018 Dollars)	(CPI-Indexed 2018 Dollars)				
26th Percentile Earner¹ in Year (\$12,974 in 2018)						
2018	134	134	0.0	0.0	0.0	100
2030	134	162	8.9	0.0	8.9	109
2050	134	206	19.4	0.0	19.4	119
2080	134	290	19.4	0.0	19.4	119
40th Percentile Earner¹ in Year (\$23,553 in 2018)						
2018	241	241	0.0	0.0	0.0	100
2030	241	291	8.9	0.0	8.9	109
2050	241	370	19.4	0.0	19.4	119
2080	241	522	19.4	0.0	19.4	119
69th Percentile Earner¹ in Year (\$51,894 in 2018)						
2018	536	536	0.0	0.0	0.0	100
2030	536	647	8.9	0.0	8.9	109
2050	536	823	19.4	0.0	19.4	119
2080	536	1,160	19.4	0.0	19.4	119
85th Percentile Earner¹ in Year (\$83,031 in 2018)						
2018	858	858	0.0	0.0	0.0	100
2030	858	1,035	8.9	0.0	8.9	109
2050	858	1,316	19.4	0.0	19.4	119
2080	858	1,856	19.4	0.0	19.4	119
94th Percentile Earner¹ in Year (\$128,400 in 2018) Current-Law Maximum Earnings Level						
2018	1,327	1,327	0.0	0.0	0.0	100
2030	1,327	1,601	8.9	0.0	8.9	109
2050	1,327	2,036	19.4	0.0	19.4	119
2080	1,327	2,870	19.4	0.0	19.4	119
99th Percentile Earner¹ in Year (\$256,800 in 2018) Twice Current-Law Maximum Earnings Level						
2018	1,327	1,327	0.0	0.0	0.0	100
2030	1,327	1,601	8.9	8.2	17.7	118
2050	1,327	2,036	19.4	100.0	138.7	239
2080	1,327	2,870	19.4	100.0	138.7	239

¹ Percentile among all workers with any covered earnings in 2018 (including earnings both above and below the current-law maximum earnings level). We include those who will die or become disabled before reaching retirement age, and those who will not earn enough in their career to become fully insured for retired worker benefits. Thus, these percentiles are not directly comparable to the percentiles in the B tables, which are based on lifetime earnings, and include only those who survive and become eligible for retirement benefits.

² Increase the payroll tax rate by 0.1% each year from 2020 until it reaches 14.8% in 2043.

³ Apply the OASDI payroll tax rate on earnings above \$400,000 starting in 2020, and tax all earnings once the current-law taxable maximum exceeds \$400,000.

This analysis reflects only the provisions of the proposal identified in the table and described in the footnotes above.

All estimates based on the intermediate assumptions of the 2018 Trustees Report.

Office of the Chief Actuary, Social Security Administration January 30, 2019

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio
 "Social Security 2100 Act," Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen

Year	Proposal			Trust Fund Ratio	Change from Current Law		
	Expressed as a percentage of current-law taxable payroll				Expressed as a percentage of current-law taxable payroll		
	Cost Rate	Income Rate	Annual Balance	1-1-year	Cost Rate	Income Rate	Annual Balance
2018	13.81	12.64	-1.17	288	0.00	0.00	0.00
2019	13.95	12.87	-1.08	272	0.00	0.00	0.00
2020	14.37	13.59	-0.78	252	0.25	0.70	0.45
2021	14.55	13.81	-0.74	238	0.28	0.89	0.81
2022	14.75	13.98	-0.77	225	0.31	1.03	0.72
2023	14.97	14.14	-0.83	212	0.35	1.17	0.83
2024	15.19	14.31	-0.87	200	0.38	1.32	0.94
2025	15.40	14.47	-0.93	188	0.42	1.46	1.04
2026	15.61	14.68	-0.93	177	0.45	1.55	1.10
2027	15.85	14.85	-1.00	167	0.48	1.69	1.21
2028	16.10	15.02	-1.08	157	0.52	1.85	1.33
2029	16.34	15.19	-1.15	147	0.55	2.01	1.46
2030	16.56	15.37	-1.20	139	0.58	2.16	1.58
2031	16.77	15.54	-1.23	131	0.61	2.32	1.71
2032	16.95	15.71	-1.24	123	0.64	2.49	1.85
2033	17.12	15.89	-1.23	116	0.66	2.65	1.99
2034	17.25	16.06	-1.19	110	0.69	2.82	2.13
2035	17.36	16.24	-1.12	104	0.71	2.99	2.28
2036	17.45	16.42	-1.03	98	0.73	3.16	2.43
2037	17.53	16.60	-0.93	93	0.75	3.34	2.59
2038	17.59	16.78	-0.81	89	0.77	3.51	2.75
2039	17.61	16.97	-0.65	85	0.78	3.70	2.91
2040	17.62	17.15	-0.47	83	0.80	3.88	3.08
2041	17.62	17.34	-0.28	81	0.81	4.07	3.26
2042	17.59	17.53	-0.06	80	0.82	4.26	3.44
2043	17.56	17.73	0.17	81	0.83	4.46	3.63
2044	17.53	17.92	0.29	83	0.83	4.55	3.72
2045	17.50	17.92	0.42	86	0.84	4.65	3.81
2046	17.47	18.02	0.54	89	0.85	4.75	3.90
2047	17.45	18.12	0.66	94	0.85	4.85	4.00
2048	17.43	18.16	0.73	98	0.85	4.89	4.03
2049	17.41	18.17	0.76	104	0.86	4.90	4.04
2050	17.40	18.18	0.78	109	0.86	4.91	4.05
2051	17.40	18.19	0.79	115	0.86	4.92	4.06
2052	17.40	18.20	0.80	121	0.87	4.93	4.06
2053	17.41	18.21	0.80	126	0.87	4.94	4.07
2054	17.43	18.22	0.79	132	0.87	4.95	4.08
2055	17.46	18.23	0.77	138	0.87	4.95	4.08
2056	17.50	18.24	0.74	143	0.87	4.96	4.09
2057	17.54	18.25	0.71	149	0.87	4.97	4.09
2058	17.59	18.26	0.67	154	0.88	4.98	4.10
2059	17.64	18.27	0.63	159	0.88	4.98	4.10
2060	17.69	18.28	0.59	164	0.88	4.99	4.11
2061	17.74	18.29	0.55	169	0.88	5.00	4.11
2062	17.80	18.31	0.51	173	0.89	5.00	4.11
2063	17.85	18.31	0.46	178	0.89	5.01	4.12
2064	17.91	18.32	0.42	182	0.89	5.01	4.12
2065	17.96	18.33	0.37	186	0.90	5.02	4.12
2066	18.02	18.34	0.32	189	0.90	5.02	4.12
2067	18.09	18.35	0.27	193	0.90	5.03	4.13
2068	18.15	18.36	0.21	196	0.91	5.03	4.13
2069	18.21	18.37	0.16	199	0.91	5.04	4.13
2070	18.28	18.38	0.10	201	0.91	5.04	4.13
2071	18.33	18.39	0.05	203	0.91	5.05	4.13
2072	18.39	18.40	0.01	205	0.92	5.05	4.14
2073	18.43	18.40	-0.03	207	0.92	5.06	4.14
2074	18.47	18.41	-0.06	209	0.92	5.06	4.14
2075	18.51	18.42	-0.09	211	0.92	5.07	4.14
2076	18.53	18.42	-0.11	212	0.92	5.07	4.15
2077	18.55	18.43	-0.12	214	0.93	5.07	4.15
2078	18.55	18.43	-0.12	216	0.93	5.08	4.15
2079	18.54	18.44	-0.11	218	0.93	5.08	4.16
2080	18.53	18.44	-0.09	220	0.93	5.09	4.16
2081	18.51	18.44	-0.07	222	0.93	5.09	4.16
2082	18.50	18.45	-0.05	224	0.93	5.09	4.17
2083	18.48	18.45	-0.03	227	0.93	5.10	4.17
2084	18.46	18.45	-0.01	229	0.92	5.10	4.17
2085	18.45	18.45	0.00	232	0.92	5.10	4.18
2086	18.45	18.46	0.00	234	0.92	5.11	4.18
2087	18.46	18.46	0.00	237	0.92	5.11	4.18
2088	18.47	18.46	-0.01	240	0.93	5.11	4.19
2089	18.49	18.47	-0.03	242	0.93	5.12	4.19
2090	18.53	18.47	-0.05	244	0.93	5.12	4.19
2091	18.56	18.48	-0.09	246	0.93	5.12	4.19
2092	18.61	18.49	-0.12	248	0.93	5.12	4.19
2093	18.66	18.49	-0.17	250	0.93	5.13	4.19

Summarized Rates: OASDI				
	Cost Rate	Income Rate	Actuarial Balance	Year of reserve depletion ¹
2018 - 2092	17.44%	17.70%	0.25%	N/A

Summarized Rates: OASDI		
Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
0.76%	3.85%	3.10%

Based on Intermediate Assumptions of the 2018 Trustees Report.
¹Under present law the year of combined Trust Fund reserve depletion is 2034.

Table 1a - General Fund Transfers, OASDI Trust Fund Reserves, and Theoretical OASDI Reserves
 "Social Security 2100 Act," Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen

Calendar Year	Proposed General Fund Transfers			Present Value in Billions as of 1-1-2018			
	Percentage of Payroll (1)	Present Value in Billions as of 1-1-2016		Proposed Total OASDI Trust Fund Reserves at End of Year (4)	Gross Domestic Product (5)	Theoretical Social Security ¹ with Borrowing Authority	
		Annual Amounts (2)	Accumulated as of End of Year (3)			Net OASDI Trust Fund Reserves at End of Year Without General Fund Transfers (6)	With Plan General Fund Transfers (7)
2018	0.0	0.0	0.0	2,808.6	20,018.8	2,808.6	2,808.6
2019	0.0	0.0	0.0	2,730.2	20,372.8	2,730.2	2,730.2
2020	0.0	0.0	0.0	2,672.4	20,761.3	2,639.0	2,639.0
2021	0.0	0.0	0.0	2,616.6	21,143.5	2,536.5	2,536.5
2022	0.0	0.0	0.0	2,557.1	21,520.6	2,421.0	2,421.0
2023	0.0	0.0	0.0	2,491.9	21,898.8	2,290.2	2,290.2
2024	0.0	0.0	0.0	2,421.7	22,247.7	2,144.3	2,144.3
2025	0.0	0.0	0.0	2,345.6	22,564.0	1,982.3	1,982.3
2026	0.0	0.0	0.0	2,268.7	22,843.8	1,813.8	1,813.8
2027	0.0	0.0	0.0	2,184.9	23,088.8	1,627.7	1,627.7
2028	0.0	0.0	0.0	2,094.1	23,261.7	1,423.5	1,423.5
2029	0.0	0.0	0.0	1,997.4	23,339.1	1,202.6	1,202.6
2030	0.0	0.0	0.0	1,896.7	23,329.3	967.1	967.1
2031	0.0	0.0	0.0	1,794.0	23,230.3	719.2	719.2
2032	0.0	0.0	0.0	1,691.5	23,048.1	461.5	461.5
2033	0.0	0.0	0.0	1,591.2	22,820.9	196.4	196.4
2034	0.0	0.0	0.0	1,495.4	22,590.1	-74.2	-74.2
2035	0.0	0.0	0.0	1,406.2	22,363.5	-348.2	-348.2
2036	0.0	0.0	0.0	1,325.0	22,135.9	-624.3	-624.3
2037	0.0	0.0	0.0	1,252.7	21,912.2	-901.6	-901.6
2038	0.0	0.0	0.0	1,191.2	21,693.9	-1,178.6	-1,178.6
2039	0.0	0.0	0.0	1,142.7	21,482.3	-1,453.2	-1,453.2
2040	0.0	0.0	0.0	1,108.1	21,271.2	-1,724.5	-1,724.5
2041	0.0	0.0	0.0	1,088.7	21,065.0	-1,991.5	-1,991.5
2042	0.0	0.0	0.0	1,085.6	20,868.9	-2,253.3	-2,253.3
2043	0.0	0.0	0.0	1,099.5	20,676.2	-2,509.6	-2,509.6
2044	0.0	0.0	0.0	1,122.7	20,466.7	-2,760.5	-2,760.5
2045	0.0	0.0	0.0	1,154.6	20,298.6	-3,006.5	-3,006.5
2046	0.0	0.0	0.0	1,195.2	20,110.8	-3,247.8	-3,247.8
2047	0.0	0.0	0.0	1,244.2	19,925.6	-3,484.9	-3,484.9
2048	0.0	0.0	0.0	1,297.2	19,744.9	-3,717.9	-3,717.9
2049	0.0	0.0	0.0	1,351.7	19,562.2	-3,947.2	-3,947.2
2050	0.0	0.0	0.0	1,407.1	19,380.3	-4,173.4	-4,173.4
2051	0.0	0.0	0.0	1,463.0	19,201.3	-4,396.7	-4,396.7
2052	0.0	0.0	0.0	1,519.0	19,022.2	-4,617.8	-4,617.8
2053	0.0	0.0	0.0	1,574.3	18,842.5	-4,837.3	-4,837.3
2054	0.0	0.0	0.0	1,628.5	18,661.7	-5,055.6	-5,055.6
2055	0.0	0.0	0.0	1,680.8	18,479.7	-5,273.3	-5,273.3
2056	0.0	0.0	0.0	1,730.9	18,298.9	-5,490.8	-5,490.8
2057	0.0	0.0	0.0	1,778.5	18,117.7	-5,708.5	-5,708.5
2058	0.0	0.0	0.0	1,823.1	17,935.7	-5,926.7	-5,926.7
2059	0.0	0.0	0.0	1,864.7	17,754.6	-6,145.3	-6,145.3
2060	0.0	0.0	0.0	1,903.3	17,574.0	-6,364.3	-6,364.3
2061	0.0	0.0	0.0	1,938.9	17,394.0	-6,583.8	-6,583.8
2062	0.0	0.0	0.0	1,971.4	17,215.1	-6,803.9	-6,803.9
2063	0.0	0.0	0.0	2,000.8	17,037.6	-7,024.4	-7,024.4
2064	0.0	0.0	0.0	2,027.1	16,861.5	-7,245.4	-7,245.4
2065	0.0	0.0	0.0	2,050.3	16,687.4	-7,466.8	-7,466.8
2066	0.0	0.0	0.0	2,070.3	16,515.3	-7,688.9	-7,688.9
2067	0.0	0.0	0.0	2,087.1	16,345.5	-7,911.6	-7,911.6
2068	0.0	0.0	0.0	2,100.6	16,178.3	-8,135.0	-8,135.0
2069	0.0	0.0	0.0	2,110.9	16,013.1	-8,359.1	-8,359.1
2070	0.0	0.0	0.0	2,118.0	15,850.3	-8,583.9	-8,583.9
2071	0.0	0.0	0.0	2,122.2	15,690.6	-8,809.1	-8,809.1
2072	0.0	0.0	0.0	2,124.1	15,534.1	-9,034.3	-9,034.3
2073	0.0	0.0	0.0	2,123.8	15,380.4	-9,259.4	-9,259.4
2074	0.0	0.0	0.0	2,121.6	15,229.4	-9,483.9	-9,483.9
2075	0.0	0.0	0.0	2,118.0	15,080.9	-9,707.7	-9,707.7
2076	0.0	0.0	0.0	2,113.4	14,934.6	-9,930.3	-9,930.3
2077	0.0	0.0	0.0	2,108.5	14,790.9	-10,151.0	-10,151.0
2078	0.0	0.0	0.0	2,103.6	14,649.3	-10,369.5	-10,369.5
2079	0.0	0.0	0.0	2,099.4	14,509.6	-10,585.3	-10,585.3
2080	0.0	0.0	0.0	2,096.0	14,371.5	-10,798.2	-10,798.2
2081	0.0	0.0	0.0	2,093.6	14,234.9	-11,008.1	-11,008.1
2082	0.0	0.0	0.0	2,092.2	14,099.1	-11,215.0	-11,215.0
2083	0.0	0.0	0.0	2,091.9	13,964.2	-11,418.8	-11,418.8
2084	0.0	0.0	0.0	2,092.3	13,830.0	-11,619.9	-11,619.9
2085	0.0	0.0	0.0	2,093.4	13,696.0	-11,818.5	-11,818.5
2086	0.0	0.0	0.0	2,094.7	13,562.2	-12,014.8	-12,014.8
2087	0.0	0.0	0.0	2,095.9	13,428.9	-12,209.2	-12,209.2
2088	0.0	0.0	0.0	2,096.6	13,295.7	-12,402.2	-12,402.2
2089	0.0	0.0	0.0	2,096.5	13,162.8	-12,594.0	-12,594.0
2090	0.0	0.0	0.0	2,095.2	13,030.4	-12,785.0	-12,785.0
2091	0.0	0.0	0.0	2,092.5	12,898.2	-12,975.4	-12,975.4
2092	0.0	0.0	0.0	2,088.0	12,766.5	-13,165.6	-13,165.6
2093	0.0	0.0	0.0	2,081.8	12,635.4	-13,355.5	-13,355.5
Total 2018-2092		0.0					

Based on the Intermediate Assumptions of the 2018 Trustees Report.
 Ultimate Real Trust Fund Yield of 2.7%.

¹ Theoretical Social Security is the current Social Security program with the assumption that the law is modified to permit borrowing from the General Fund of the Treasury.

**Table 1b - OASDI Changes & Implications for Federal Budget and Debt of Specified Plan Provision Effects on OASDI¹ (Present Value Dollars)
 Social Security 2100 Act, Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen**

Billions of Present Value Dollars as of 1-1-2016

Year	Specified General Fund Transfers	Basic Changes in OASDI Cash Flow	Change in Annual Unified Budget Cash Flow	Change in Debt Held by Public at End of Year	Change in Annual Unified Budget Balance	Change in Total Federal Debt End Of Year	Change in Annual On Budget Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020	0.0	33.5	33.5	-33.5	33.5	0.0	0.0
2021	0.0	46.7	46.7	-46.7	46.7	0.0	0.0
2022	0.0	55.9	55.9	-136.1	58.2	0.0	0.0
2023	0.0	65.6	65.6	-201.7	69.4	0.0	0.0
2024	0.0	75.7	75.7	-277.4	81.6	0.0	0.0
2025	0.0	85.9	85.9	-363.3	94.3	0.0	0.0
2026	0.0	91.7	91.7	-454.9	103.2	0.0	0.0
2027	0.0	102.3	102.3	-557.2	117.4	0.0	0.0
2028	0.0	113.4	113.4	-670.6	133.9	0.0	0.0
2029	0.0	124.3	124.3	-794.8	151.4	0.0	0.0
2030	0.0	134.8	134.8	-929.6	169.8	0.0	0.0
2031	0.0	145.2	145.2	-1,074.8	189.3	0.0	0.0
2032	0.0	155.2	155.2	-1,230.0	209.9	0.0	0.0
2033	0.0	164.9	164.9	-1,394.9	227.6	0.0	0.0
2034	0.0	174.7	174.7	-1,569.6	245.8	0.0	0.0
2035	0.0	184.8	184.8	-1,754.4	264.8	0.0	0.0
2036	0.0	194.9	194.9	-1,949.3	284.3	0.0	0.0
2037	0.0	205.1	205.1	-2,154.4	304.4	0.0	0.0
2038	0.0	215.4	215.4	-2,369.8	325.2	0.0	0.0
2039	0.0	226.1	226.1	-2,595.8	346.9	0.0	0.0
2040	0.0	236.7	236.7	-2,832.6	369.0	0.0	0.0
2041	0.0	247.6	247.6	-3,080.2	392.0	0.0	0.0
2042	0.0	258.8	258.8	-3,338.9	415.7	0.0	0.0
2043	0.0	270.1	270.1	-3,609.1	440.3	0.0	0.0
2044	0.0	274.1	274.1	-3,883.2	458.1	0.0	0.0
2045	0.0	277.9	277.9	-4,161.1	475.8	0.0	0.0
2046	0.0	281.9	281.9	-4,443.0	494.0	0.0	0.0
2047	0.0	286.1	286.1	-4,729.1	512.5	0.0	0.0
2048	0.0	286.0	286.0	-5,015.1	527.0	0.0	0.0
2049	0.0	283.8	283.8	-5,298.9	539.4	0.0	0.0
2050	0.0	281.5	281.5	-5,580.4	551.6	0.0	0.0
2051	0.0	279.3	279.3	-5,859.7	563.7	0.0	0.0
2052	0.0	277.1	277.1	-6,136.8	575.7	0.0	0.0
2053	0.0	274.8	274.8	-6,411.6	587.5	0.0	0.0
2054	0.0	272.5	272.5	-6,684.0	599.2	0.0	0.0
2055	0.0	270.1	270.1	-6,954.1	610.7	0.0	0.0
2056	0.0	267.7	267.7	-7,221.8	622.1	0.0	0.0
2057	0.0	265.2	265.2	-7,487.0	633.3	0.0	0.0
2058	0.0	262.7	262.7	-7,749.8	644.3	0.0	0.0
2059	0.0	260.2	260.2	-8,010.0	655.2	0.0	0.0
2060	0.0	257.7	257.7	-8,267.7	665.9	0.0	0.0
2061	0.0	255.1	255.1	-8,522.8	676.5	0.0	0.0
2062	0.0	252.5	252.5	-8,775.3	686.9	0.0	0.0
2063	0.0	249.9	249.9	-9,025.2	697.1	0.0	0.0
2064	0.0	247.3	247.3	-9,272.5	707.3	0.0	0.0
2065	0.0	244.7	244.7	-9,517.2	717.3	0.0	0.0
2066	0.0	242.1	242.1	-9,759.3	727.1	0.0	0.0
2067	0.0	239.5	239.5	-9,998.7	736.9	0.0	0.0
2068	0.0	236.9	236.9	-10,235.7	746.5	0.0	0.0
2069	0.0	234.4	234.4	-10,470.0	756.0	0.0	0.0
2070	0.0	231.9	231.9	-10,701.9	765.5	0.0	0.0
2071	0.0	229.4	229.4	-10,931.3	774.9	0.0	0.0
2072	0.0	227.1	227.1	-11,158.4	784.2	0.0	0.0
2073	0.0	224.7	224.7	-11,383.1	793.4	0.0	0.0
2074	0.0	222.4	222.4	-11,605.6	802.6	0.0	0.0
2075	0.0	220.2	220.2	-11,825.7	811.7	0.0	0.0
2076	0.0	218.0	218.0	-12,043.7	820.7	0.0	0.0
2077	0.0	215.8	215.8	-12,259.5	829.6	0.0	0.0
2078	0.0	213.6	213.6	-12,473.1	838.4	0.0	0.0
2079	0.0	211.6	211.6	-12,684.7	847.2	0.0	0.0
2080	0.0	209.5	209.5	-12,894.2	856.0	0.0	0.0
2081	0.0	207.5	207.5	-13,101.7	864.6	0.0	0.0
2082	0.0	205.5	205.5	-13,307.2	873.2	0.0	0.0
2083	0.0	203.5	203.5	-13,510.7	881.7	0.0	0.0
2084	0.0	201.5	201.5	-13,712.2	890.1	0.0	0.0
2085	0.0	199.6	199.6	-13,911.8	898.4	0.0	0.0
2086	0.0	197.6	197.6	-14,109.5	906.6	0.0	0.0
2087	0.0	195.7	195.7	-14,305.1	914.7	0.0	0.0
2088	0.0	193.7	193.7	-14,498.8	922.7	0.0	0.0
2089	0.0	191.7	191.7	-14,690.5	930.6	0.0	0.0
2090	0.0	189.7	189.7	-14,880.2	938.4	0.0	0.0
2091	0.0	187.7	187.7	-15,067.9	946.1	0.0	0.0
2092	0.0	185.7	185.7	-15,253.6	953.6	0.0	0.0
Total 2018-2092	0.0	15,253.6	15,253.6				

Based on Intermediate Assumptions of the 2018 Trustees Report.
 Ultimate Real Trust Fund Yield of 2.7%.

Note: Changes reflect the budget scoring convention that presumes benefits not payable after reserve depletion would nonetheless be paid, based on transfers from the General Fund of the Treasury resulting in additional borrowing from the public.
¹ Effects of tax provisions on the On-Budget are not reflected in this table.

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Table 1b.n - OASDI Changes & Implications for Federal Budget and Debt of Specified Plan Provision Effects on OASDI¹ (Nominal Dollars)
***Social Security 2100 Act,* Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen**

Billions of Nominal Dollars

<u>Year</u>	Specified General Fund Transfers	Basic Changes in OASDI Cash Flow	Change in Annual Unified Budget Cash Flow	Change in Debt Held by Public at End of Year	Change in Annual Unified Budget Balance	Change in Total Federal Debt End of Year	Change in Annual On Budget Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020	0.0	36.0	36.0	-36.5	36.5	0.0	0.0
2021	0.0	51.6	51.6	-89.8	53.4	0.0	0.0
2022	0.0	63.6	63.6	-157.0	67.1	0.0	0.0
2023	0.0	76.7	76.7	-239.5	82.5	0.0	0.0
2024	0.0	91.1	91.1	-339.5	100.0	0.0	0.0
2025	0.0	108.5	108.5	-458.6	119.1	0.0	0.0
2026	0.0	117.3	117.3	-593.2	134.6	0.0	0.0
2027	0.0	135.2	135.2	-751.6	158.4	0.0	0.0
2028	0.0	155.4	155.4	-939.2	187.6	0.0	0.0

Based on Intermediate Assumptions of the 2018 Trustees Report.

Note: Changes reflect the budget scoring convention that presumes benefits not payable after reserve depletion would nonetheless be paid, based on transfers from the General Fund of the Treasury resulting in additional borrowing from the public.
¹ Effects of tax provisions on the On-Budget are not reflected in this table.

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**Table 1c - Current Law and Proposal Cost, Expenditures, and Income: As Percent of Gross Domestic Product
"Social Security 2100 Act," Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen**

Calendar Year	Current Law OASDI			Proposal OASDI		
	Cost (1)	Expenditures (Payable) (2)	Non-Interest Income (3)	Cost (4)	Expenditures (Payable) (5)	Non-Interest Income (6)
2018	4.94	4.94	4.52	4.94	4.94	4.52
2019	4.99	4.99	4.61	4.99	4.99	4.61
2020	5.07	5.07	4.62	5.16	5.16	4.87
2021	5.14	5.14	4.65	5.24	5.24	4.97
2022	5.22	5.22	4.68	5.33	5.33	5.05
2023	5.30	5.30	4.70	5.43	5.43	5.13
2024	5.39	5.39	4.73	5.53	5.53	5.21
2025	5.47	5.47	4.75	5.62	5.62	5.28
2026	5.55	5.55	4.81	5.71	5.71	5.37
2027	5.63	5.63	4.82	5.80	5.80	5.44
2028	5.70	5.70	4.82	5.89	5.89	5.50
2029	5.77	5.77	4.82	5.97	5.97	5.55
2030	5.83	5.83	4.82	6.04	6.04	5.61
2031	5.89	5.89	4.81	6.11	6.11	5.66
2032	5.94	5.94	4.81	6.17	6.17	5.72
2033	5.98	5.98	4.81	6.22	6.22	5.77
2034	6.01	5.67	4.81	6.26	6.26	5.83
2035	6.03	4.80	4.80	6.29	6.29	5.89
2036	6.05	4.80	4.80	6.32	6.32	5.94
2037	6.07	4.80	4.80	6.34	6.34	6.00
2038	6.07	4.79	4.79	6.35	6.35	6.06
2039	6.07	4.79	4.79	6.35	6.35	6.12
2040	6.07	4.78	4.78	6.35	6.35	6.18
2041	6.05	4.78	4.78	6.34	6.34	6.25
2042	6.04	4.78	4.78	6.33	6.33	6.31
2043	6.02	4.77	4.77	6.31	6.31	6.37
2044	6.00	4.77	4.77	6.30	6.30	6.40
2045	5.98	4.76	4.76	6.28	6.28	6.43
2046	5.97	4.76	4.76	6.27	6.27	6.47
2047	5.95	4.76	4.76	6.26	6.26	6.50
2048	5.94	4.76	4.76	6.25	6.25	6.51
2049	5.93	4.75	4.75	6.24	6.24	6.51
2050	5.93	4.75	4.75	6.23	6.23	6.51
2051	5.92	4.75	4.75	6.23	6.23	6.51
2052	5.92	4.75	4.75	6.23	6.23	6.51
2053	5.92	4.75	4.75	6.23	6.23	6.51
2054	5.92	4.75	4.75	6.23	6.23	6.51
2055	5.93	4.74	4.74	6.24	6.24	6.51
2056	5.94	4.74	4.74	6.25	6.25	6.52
2057	5.95	4.74	4.74	6.26	6.26	6.52
2058	5.96	4.74	4.74	6.28	6.28	6.52
2059	5.98	4.74	4.74	6.29	6.29	6.52
2060	5.99	4.74	4.74	6.31	6.31	6.52
2061	6.01	4.74	4.74	6.32	6.32	6.52
2062	6.02	4.74	4.74	6.34	6.34	6.52
2063	6.03	4.73	4.73	6.35	6.35	6.51
2064	6.05	4.73	4.73	6.37	6.37	6.51
2065	6.06	4.73	4.73	6.38	6.38	6.51
2066	6.08	4.73	4.73	6.40	6.40	6.51
2067	6.09	4.72	4.72	6.41	6.41	6.51
2068	6.11	4.72	4.72	6.43	6.43	6.50
2069	6.12	4.72	4.72	6.44	6.44	6.50
2070	6.14	4.71	4.71	6.46	6.46	6.50
2071	6.15	4.71	4.71	6.47	6.47	6.49
2072	6.16	4.71	4.71	6.49	6.49	6.49
2073	6.17	4.70	4.70	6.50	6.50	6.49
2074	6.18	4.70	4.70	6.51	6.51	6.48
2075	6.19	4.70	4.70	6.51	6.51	6.48
2076	6.19	4.69	4.69	6.51	6.51	6.48
2077	6.19	4.69	4.69	6.51	6.51	6.47
2078	6.18	4.68	4.68	6.51	6.51	6.46
2079	6.17	4.68	4.68	6.50	6.50	6.46
2080	6.16	4.67	4.67	6.48	6.48	6.45
2081	6.15	4.67	4.67	6.47	6.47	6.45
2082	6.14	4.66	4.66	6.46	6.46	6.44
2083	6.12	4.66	4.66	6.45	6.45	6.44
2084	6.11	4.65	4.65	6.44	6.44	6.43
2085	6.10	4.65	4.65	6.43	6.43	6.43
2086	6.10	4.64	4.64	6.42	6.42	6.42
2087	6.09	4.64	4.64	6.42	6.42	6.42
2088	6.09	4.64	4.64	6.42	6.42	6.41
2089	6.10	4.63	4.63	6.42	6.42	6.41
2090	6.10	4.63	4.63	6.42	6.42	6.41
2091	6.11	4.63	4.63	6.43	6.43	6.40
2092	6.12	4.63	4.63	6.44	6.44	6.40

Based on Intermediate Assumptions of the 2018 Trustees Report.

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Table 1d - Change in Long-Range Trust Fund Reserves / Unfunded Obligation
"Social Security 2100 Act," Introduced by Chairman Larson, Senator Blumenthal, and Senator Van Hollen

(Billions of Dollars, Present Value on 1-1-2016)

Year	Current Law OASDI Trust Fund Reserves / Unfunded Obligation Through End of Year	Changes in OASDI Income	Changes in OASDI Cost	Basic Changes in OASDI Cash Flow (4) = (2)-(3)	Total Change Through End of Year (5) = cumulative sum(4)	Proposed OASDI Trust Fund Reserves / Unfunded Obligation Through End of Year (6) = (1)+(5)
	(1)	(2)	(3)	(4)	(5)	(6)
2018	2,908.6	0.0	0.0	0.0	0.0	2,908.6
2019	2,730.2	0.0	0.0	0.0	0.0	2,730.2
2020	2,639.0	51.9	18.5	33.5	33.5	2,672.4
2021	2,536.5	68.0	21.4	46.7	80.1	2,616.6
2022	2,421.0	80.4	24.4	55.9	136.1	2,557.1
2023	2,290.2	93.2	27.6	65.6	201.7	2,491.9
2024	2,144.3	106.6	30.9	75.7	277.4	2,421.7
2025	1,982.3	120.1	34.2	85.9	363.3	2,345.6
2026	1,813.8	129.2	37.6	91.7	454.9	2,268.7
2027	1,627.7	143.1	40.9	102.3	557.2	2,184.9
2028	1,423.5	157.3	43.9	113.4	670.6	2,094.1
2029	1,202.6	171.0	46.8	124.3	794.9	1,997.4
2030	967.1	184.1	49.3	134.8	929.6	1,896.7
2031	719.2	196.7	51.5	145.2	1,074.8	1,794.0
2032	461.5	208.6	53.4	155.2	1,230.0	1,691.5
2033	196.4	219.9	55.0	164.9	1,394.9	1,591.2
2034	-74.2	231.1	56.3	174.7	1,569.6	1,495.4
2035	-348.2	242.3	57.5	184.8	1,754.4	1,406.2
2036	-624.3	253.4	58.5	194.9	1,949.3	1,325.0
2037	-901.6	264.5	59.4	205.1	2,154.4	1,252.7
2038	-1,178.6	275.5	60.1	215.4	2,369.8	1,191.2
2039	-1,453.2	286.7	60.6	226.1	2,596.9	1,142.7
2040	-1,724.5	297.8	61.0	236.7	2,832.6	1,108.1
2041	-1,991.5	308.9	61.3	247.6	3,080.2	1,088.7
2042	-2,253.3	320.2	61.4	258.8	3,338.9	1,085.6
2043	-2,509.6	331.6	61.5	270.1	3,609.1	1,099.5
2044	-2,760.5	335.5	61.4	274.1	3,893.2	1,122.7
2045	-3,006.5	339.2	61.3	277.9	4,161.1	1,154.6
2046	-3,247.8	343.0	61.1	281.9	4,443.0	1,195.2
2047	-3,484.9	346.9	60.8	286.1	4,729.1	1,244.2
2048	-3,717.9	346.5	60.5	286.0	5,015.1	1,297.2
2049	-3,947.2	344.0	60.2	283.8	5,298.9	1,351.7
2050	-4,173.4	341.3	59.8	281.5	5,580.4	1,407.1
2051	-4,396.7	338.6	59.3	279.3	5,859.7	1,463.0
2052	-4,617.8	336.0	58.9	277.1	6,136.8	1,519.0
2053	-4,837.3	333.2	58.5	274.8	6,411.6	1,574.3
2054	-5,055.6	330.5	58.0	272.5	6,684.0	1,628.5
2055	-5,273.3	327.6	57.5	270.1	6,954.1	1,680.8
2056	-5,490.8	324.7	57.1	267.7	7,221.8	1,730.9
2057	-5,708.5	321.8	56.6	265.2	7,487.0	1,778.5
2058	-5,926.7	318.9	56.2	262.7	7,749.8	1,823.1
2059	-6,145.3	315.9	55.7	260.2	8,010.0	1,864.7
2060	-6,364.3	312.9	55.3	257.7	8,267.7	1,903.3
2061	-6,583.8	309.9	54.8	255.1	8,522.8	1,938.9
2062	-6,803.9	306.9	54.4	252.5	8,775.3	1,971.4
2063	-7,024.4	303.9	54.0	249.9	9,025.2	2,000.8
2064	-7,245.4	300.9	53.5	247.3	9,272.5	2,027.1
2065	-7,466.8	297.8	53.1	244.7	9,517.2	2,050.3
2066	-7,688.9	294.8	52.7	242.1	9,759.3	2,070.3
2067	-7,911.6	291.8	52.3	239.5	9,998.7	2,087.1
2068	-8,135.0	288.8	51.9	236.9	10,235.7	2,100.6
2069	-8,359.1	285.9	51.5	234.4	10,470.0	2,110.9
2070	-8,583.9	283.0	51.1	231.9	10,701.9	2,118.0
2071	-8,809.1	280.1	50.7	229.4	10,931.3	2,122.2
2072	-9,034.3	277.3	50.3	227.1	11,158.4	2,124.1
2073	-9,259.4	274.6	49.8	224.7	11,383.1	2,123.8
2074	-9,483.9	271.8	49.4	222.4	11,605.6	2,121.6
2075	-9,707.7	269.1	49.0	220.2	11,825.7	2,118.0
2076	-9,930.3	266.5	48.5	218.0	12,043.7	2,113.4
2077	-10,151.0	263.8	48.0	215.8	12,259.5	2,108.5
2078	-10,369.5	261.2	47.6	213.6	12,473.1	2,103.6
2079	-10,585.3	258.6	47.1	211.6	12,684.7	2,099.4
2080	-10,798.2	256.1	46.6	209.5	12,894.2	2,096.0
2081	-11,008.1	253.6	46.1	207.5	13,101.7	2,093.6
2082	-11,215.0	251.1	45.6	205.5	13,307.2	2,092.2
2083	-11,418.8	248.6	45.1	203.5	13,510.7	2,091.9
2084	-11,619.9	246.1	44.6	201.5	13,712.2	2,092.3
2085	-11,818.5	243.7	44.1	199.6	13,911.8	2,093.4
2086	-12,014.8	241.3	43.6	197.6	14,109.5	2,094.7
2087	-12,209.2	238.8	43.2	195.7	14,305.1	2,095.9
2088	-12,402.2	236.4	42.7	193.7	14,498.8	2,096.6
2089	-12,594.0	234.0	42.3	191.7	14,690.5	2,096.5
2090	-12,785.0	231.6	41.9	189.7	14,880.2	2,095.2
2091	-12,975.4	229.2	41.5	187.7	15,067.9	2,092.5
2092	-13,165.6	226.8	41.2	185.7	15,253.6	2,088.0
Total 2018-2092		18922.9	3669.3	15253.6		

Based on Intermediate Assumptions of the 2018 Trustees Report.

Ultimate Real Trust Fund Yield of 2.7%.

Office of the Chief Actuary
 Social Security Administration
 January 30, 2019



Statement for the Record

Submitted to the

House Ways and Means Social Security Subcommittee

By The Senior Citizens League

Protecting and Improving Social Security:

Enhancing Social Security to Strengthen the Middle Class

March 2019

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On behalf of our approximately 1.2 million supporters nationwide, The Senior Citizens League (TSCL) would like to thank Social Security Subcommittee Chairman John Larson and Ranking Member Tom Reed for convening this important hearing and for allowing us the opportunity to submit a statement for the record.

TSCL is a nonpartisan organization that consists of active and informed supporters, most of whom are currently enrolled in Social Security's Old-Age and Survivors Insurance (OASI) program. Our supporters tend to be older, lower to middle-income seniors. In a survey that we conducted from January through March of 2018, more than 50 percent of respondents told us they are over the age of eighty.

In that same survey, we asked our supporters about the adequacy of their Social Security benefits. In 2018, beneficiaries received a 2 percent cost-of-living adjustment (COLA), but after Medicare Part B premiums were automatically deducted, 25 percent of our supporters told us they received no benefit increase at all. Another 18 percent saw a boost of five dollars or less, and only 7 percent said they received more than twenty-five dollars from the 2 percent COLA in 2018.

Despite these small increases in take-home Social Security benefits, the survey respondents told us they saw considerable increases in their monthly expenses. More than half – 56 percent – said their monthly expenses went up by more than seventy-nine dollars. Thirty-two percent said their expenses grew by more than \$119.

These numbers were no surprise to The Senior Citizens League. For years, our supporters have told us they cannot keep up with rising costs. Since 2000, Medicare Part B premiums have increased by 195 percent. Average annual out-of-pocket spending on prescription drugs has grown by 188 percent. And home heating oil is up 181 percent. Meanwhile, Social Security benefits have grown by just 46 percent. We estimate that Social Security benefits have lost 34 percent of their purchasing power since 2000 due in large part to inadequate COLAs and rising health care costs.

It is clear to The Senior Citizens League's supporters that Social Security benefits are inadequate. Based on years of survey data from our supporters, it is also clear that older Americans want Congress to enhance benefits.

In a poll that we conducted between December 2018 and February 2019, 42 percent of respondents told us they want Congress to prioritize boosting Social Security benefits more than any other major issue affecting older Americans. Another 30 percent of respondents said Congress should focus on reducing the taxation of Social Security benefits, while 18 percent said they should concentrate on reducing prescription drug prices.

Our survey results show overwhelming support for three Social Security benefit enhancements in particular: improving the COLA, modestly boosting benefits, and cutting taxes for beneficiaries. Together, these policy improvements would reduce senior poverty and strengthen the middle class.

Improving the Social Security COLA

The automatic annual Social Security COLA was enacted in 1972 in order to maintain the purchasing power of Social Security benefits. However, the inflation index that is currently utilized – the Consumer Price Index for Urban Wage Earners (CPI-W) – tends to underestimate the inflation older

Americans experience because it fails to capture the portion of income that beneficiaries spend on expenses like health care or housing costs. As a result, Social Security benefits have lost more than a third of their purchasing power since 2000 according to our research.

A more adequate measure of the inflation older Americans experience is the Consumer Price Index for the Elderly (CPI-E), which the Bureau of Labor Statistics (BLS) has been tracking since 1987. On average, Social Security benefits would be 0.2 percent higher using this measure of inflation. Over a twenty-five-year retirement, a benefit increase of that amount would compound significantly. The Senior Citizens League estimates that an individual who filed for Social Security with average benefits over thirty years ago would have received nearly \$14,000 more in retirement if the CPI-E had been used to measure inflation.

In a survey that was conducted by The Senior Citizens League between January and March of 2018, 81 percent of respondents expressed their support for the adoption of the CPI-E. The Senior Citizens League has endorsed the following three bills in the 116th Congress that would make this simple change:

1. The bipartisan *Fair COLA for Seniors Act* (H.R. 1553), introduced by Representative John Garamendi (CA-3) and Representative Brian Fitzpatrick (PA-1);
2. The *Social Security Expansion Act* (S. 478, H.R. 1170), introduced by Senator Bernie Sanders (VT) and Representative Peter DeFazio (OR-4);
3. The *Social Security 2100 Act* (S. 269, H.R. 860), introduced by Senator Richard Blumenthal (CT) and Social Security Subcommittee Chairman John Larson (CT-1).

The Senior Citizens League also expects Representative Eliot Engel (NY-16) to reintroduce the *Guaranteed 3 Percent COLA Act* in the near future. This bill would adopt the CPI-E and ensure that Social Security beneficiaries never receive an annual COLA that is less than 3 percent. Based on CPI data through February 2019 from the BLS, The Senior Citizens League is predicting another record-low COLA in 2020 of 0.5 percent, making a guaranteed increase of 3 percent more necessary than ever.

Boosting Social Security Benefits

Older Americans believe a modest boost in Social Security benefits is essential in order to make up for years of inadequate COLAs and the loss in buying power that has resulted. In a survey that we conducted between January and March of 2018, 77 percent of our supporters expressed their support for an across-the-board Social Security benefit increase. Only 5 percent of respondents said they would not support a benefit increase.

The Senior Citizens League has endorsed the following two bills in the 116th Congress that would modestly boost benefits for older Americans:

1. The *Social Security Expansion Act* (S. 478, H.R. 1170) would increase average benefits by around \$65 per month or \$800 per year;
2. The *Social Security 2100 Act* (S. 269, H.R. 860) would increase average benefits by around \$30 per month or \$350 per year.

Both bills would boost benefits by increasing the first factor in the Primary Insurance Amount formula. The *Social Security Expansion Act* would gradually increase the first factor by 15 percentage

points over the course of fifteen years, while the *Social Security 2100 Act* would immediately increase the first factor by 3 percentage points. Older Americans enthusiastically support both methods of boosting benefits according to our surveys.

Cutting Taxes for Beneficiaries

In addition, older Americans urge Congress to cut taxes for Social Security beneficiaries. This year, millions of beneficiaries with modest incomes just two times higher than the federal poverty level paid taxes on their Social Security benefits.

Since 1984, single filers with incomes over \$25,000 and joint filers with incomes over \$32,000 have been paying taxes on a portion of their Social Security income. In 1984, only 8 percent of retirees – those with the highest incomes – were affected by this tax. However, this year, more than half of all retired households – around 51 percent – will pay taxes on their Social Security income according to surveys of The Senior Citizens League’s supporters.

Unlike tax brackets that are adjusted annually for inflation, the income thresholds that subject Social Security benefits to taxation have never been adjusted for inflation. Had the income thresholds increased with inflation, the \$25,000 threshold for single filers would be up to \$61,933 today, and the \$32,000 threshold for joint filers would be up to \$78,895.

In a survey that we conducted between January and March of 2018, 55 percent of The Senior Citizens League’s supporters expressed their support for an increase in the income thresholds that subject Social Security benefits to taxation. Only 12 percent of respondents said they would oppose such a change.

The Senior Citizens League has endorsed one bill in the 116th Congress that would adjust the income thresholds and effectively cut taxes for millions of older Americans. The *Social Security 2100 Act* (S. 269, H.R. 860), introduced by Senator Richard Blumenthal (CT) and Social Security Subcommittee Chairman John Larson (CT-1), would increase the income thresholds from \$25,000 to \$50,000 for individual filers, and from \$32,000 to \$100,000 for joint filers. The bill is carefully structured so that there would be no loss of revenues going to the Social Security or Medicare programs due to this provision of the legislation.

The Senior Citizens League’s supporters were disappointed that the *Tax Cuts and Jobs Act* failed to adjust the income thresholds in 2017, and they urge lawmakers to act this year by adopting the *Social Security 2100 Act*.

Paying for Benefit Enhancements

The Senior Citizens League’s supporters understand that we can afford to make these benefit enhancements while strengthening the solvency of the program for decades come by requiring the wealthiest Americans to contribute to the program more fairly. Our supporters have expressed their support for two modifications to the Social Security payroll tax.

In a survey conducted by The Senior Citizens League between January and March of 2018, 59 percent of respondents told us the payroll tax should be applied to all income above \$250,000. Seventy-four percent of respondents told us the payroll tax cap should be eliminated altogether. In that same

survey, 59 percent of respondents said the payroll tax rate should be gradually increased by 1 percent for both workers and employers. Only 16 percent of respondents opposed this change.

Older Americans believe these two modifications to the payroll tax are fair and responsible. Together, they would cover the cost of benefit enhancements while strengthening the solvency of the trust funds. We urge Congress to adopt the *Social Security 2100 Act*, which would increase both the payroll tax cap and the payroll tax rate.

Conclusion

Various surveys of The Senior Citizens League's 1.2 million supporters nationwide show that older Americans have strong opinions about the current and future state of the Social Security program. They believe Congress must enhance benefits in order to reduce senior poverty and strengthen the middle class. They also believe these changes must be fully paid for by requiring the wealthiest individuals to contribute to the Social Security program more fairly.

The Senior Citizens League applauds the Social Security Subcommittee for its work on this important issue, and we thank Chairman Larson and Ranking Member Reed for allowing us the opportunity to submit this statement for the record. In the coming months, we look forward to working with Congress, the Administration, and other stakeholders in any way necessary to protect and enhance the Social Security program.



**Comments for the Record
United States House of Representatives
Committee on Ways and Means
Subcommittee on Social Security
Hearing on Protecting and Improving Social Security:
Enhancing Social Security to Strengthen the Middle Class**

Tuesday, March 12, 2019, 10:00 AM

By Michael G. Bindner
Center for Fiscal Equity

Chairman Larson and Ranking Member Reed, thank you for the opportunity to submit comments to the subcommittee. We look forward to working with the new Congress.

To strengthen the middle class in retirement, we must understand the purpose of social insurance, who is in the middle class and how tax reform and employee-ownership can bring people into the middle class and keep them there.

Care for the retired was provided by families prior to the establishment of Social Security. Extended families provided shelter, income and health care because they had to. Allowing seniors to live independently freed the nuclear family to move without taking everyone with them. This led to a crisis in health coverage for those seniors left behind.

The logic of social insurance led to both Social Security, Medicare and Medicaid. This provided care for everyone regardless of accidents of birth or death. Without it, families with no surviving parents or grandparents would pay nothing, where only children might have to pay for both parents and their in-laws. This inequality still happens with housing and it strains many marriages.

Our comments on who belongs in the middle class come from the Subcommittee on Select Revenue Measures on How Middle Class Families are Faring in Today's Economy held February 13, 2019 are repeated in Attachment One.

Our latest comments on Family Income and Employee-Ownership before the Subcommittee on Worker and Family Support on Leveling The Playing Field For Working Families: Challenges And Opportunities Thursday, March 7, 2019 are repeated in Attachment Two.

Our employee-ownership comments are based in two elements of our four-part approach to tax reform, the employee contribution to Old Age and Survivors Insurance and our Net Business Receipts/ Subtraction Value Added Tax.

The employee contribution will feature a lower income cap, which allows for lower payment levels to wealthier retirees without making bend points more progressive. This contribution is only retained if a tie between retirement income and wages is necessary to preserve broad based support for the program. There should be a floor, however, because most of the heavy lifting to support retirees will come from the NBRT, with these contributions to FICA credited on an equal dollar basis, rather than as a tie to wage levels. Doing so makes contributions less regressive, both because they tax all value added and

because there is no upper limit to their collection. This ends the need for the Earned Income Tax Credit and its replacement with a high child credit.

The NBRT/SVAT includes additional tax expenditures for family support, health care and the private delivery of governmental services. It will fund entitlement spending and replace income tax filing for most people (including people who file without paying), the corporate income tax, business tax filing through individual income taxes and the employer contribution to OASI, all payroll taxes for hospital insurance, disability insurance, unemployment insurance and survivors under age 60.

Covering retirement will also be part of the NBRT. Employee-ownership is the ultimate protection for worker wages. Our proposal for expanding it involves diverting an every-increasing portion of the employer-contribution to the Old Age and Survivors fund to a combination of employer voting stock and an insurance fund holding the stock of all similar companies.

At some point, these companies will be run democratically, including CEO pay, and workers will be safe from predatory management practices. This is only possible if the Majority quits using fighting it as a partisan cudgel and embraces it to empower the professional and working classes.

Sadly, many people are trapped in poverty until they retire into a life of less poverty. Bringing families into the middle class through adequate family wages and building financial and real assets through employee-ownership. The dignity of ownership is much more than the dignity of work as a cog in a machine.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Attachment One: Defining the Middle Class, February 2019

The term Middle Class has become a catch all. While it can be defined in term terms of percentiles, it is much more complicate than that. Formerly, economics defined each class into three subclasses (upper middle and lower). The lower class is now called the poor and the working poor, who have no illusions about their poverty.

The upper class is simply called the wealthy. They are limited to the top 2% of incomes or the notorious one-percent as designated by Occupy Wall Street. The very rich, which I have called the Donor Class, usually hit at about the 0.1% of income.

The upper middle class are people who are fairly well off and can called comfortable, although they have fears about adequate retirement savings brought on by the loss of defined benefit pensions. As an aside, this change should be investigated by this Committee and the Financial Services Committee to determine whether the shift was manufactured by the investment industry in order to earn larger commissions. This industry is likely a major driver in seeking new tax advantaged savings instruments, which are good for the business of milking commissions out clients, which keeps them in the upper middle class as well.

Every time a new savings opportunity emerges, those who use it feel that they must take full advantage to avoid poverty in retirement. Of course, the biggest danger for these savers is the lack of good instruments available to them, which has them seek higher reward investments with more risk, like tech stock and mortgage backed securities, as well as buying "too much house" because of lower interest rates which sometimes do not stay low.

The upper middle class would be well served with less savings opportunities and renewed radicalism in bringing back pension rights. This would make them feel more secure in retirement planning, although this would not be good for the financial services industry, from brokerage to insurance.

Ending the need to compulsively save would also be good for the Treasury, both to collect more in what is now avoided in tax advantaged accounts and to end subsidies like the mortgage interest deduction. This will also end demand for continued tax benefits that the upper middle class really don't need to live comfortably. Such a development would likely hurt K Street, who play off the insecurities of the financial services industry in fear that tax reform will kill the goose that laid the golden egg.

The insecurities of the upper middle also drives donations to campaign and political action committees and campaign fundraisers who would otherwise have to work for a living. Let the takeaway from last November be that enough is enough. Tax reform would kill that golden goose, but it is time for that goose to be served on a platter.

For purposes of our tax reform plan, upper middle class would be those who make over \$50,000 a year (before tax benefits) or families who make twice that. The upper class would be those who get to what is now considered the top marginal tax rate, while the really wealthy are those who Senators Warren Markey and Harris and Representative Ocasio-Cortez would force into even higher tax brackets, although I would put in more interim brackets between \$400,000 and \$10,000,000. Pity the upper middle class.

We have made these remarks to delineate those who need less help and pay more tax, not only regardless of their ability to give to campaign committees, but because they are able to do so. The real middle class is radicalizing, as last November demonstrates, and not just because they feel that the President of the United States needs to be arrested (and that those who do not talk about that are guilty of abetting his conduct – and yes, that means the Majority).

The wealthy are also worthy of mention because of how their historically low marginal tax rates lead to lower wages for the working class and the entry levels of the professional class (who have now found a reason to vote). The dirty little secret of the 1981 tax cuts, the 1986 tax reform and the 2001, 2003, 2010 and now the 2017 tax cuts is their ability to control wage inflation.

Much as we used to love to give credit to or blame Paul Volcker for breaking inflation, the real cause was the micro-economic incentives which go with decreases in the marginal rate paid by CEOs and investors (the big dollar donor class). When rates were higher, especially before the Kennedy/Johnson rate cuts), America had labor peace and CEOs and management worked for reasonable salaries. The latter had no desire to cut wages or break unions, because if they did so, all of those savings, which would be paid to them in bonuses, would go the Internal Revenue Service. Lower tax rates changed that.

Lower tax rates also made money available to chase the same supply of investment instruments, which bid up their price, and caused the invention of a whole range of new products which would be built up and sold by the emerging financial class, who would profit-take and watch what they created go bust and start yet another modern recession, especially the Great Recession just experienced. Only higher tax rates or increased deficit spending control such asset inflation (and the consumption cycles associated with them – which Marx thought was the driver of the boom bust cycle – Marx had a failure of imagination).

Attachment Two, March 2019**Family Income**

The most important factor in leveling the playing field is an adequate wage for work. Ideally, this should come from a higher minimum wage, which puts the burden on employers and ultimately customers for fair pay, rather than a tax support for low wage workers (regardless of parental status). The market cannot provide a fair wage for families, as there will always be more desperate employees who can be taken advantage of to force wages lower for everyone else. A minimum wage protects those employers who would do the right thing by their employees if not for their competitors.

A \$15 per hour minimum wage is currently being demanded by a significant share of the voters. Perhaps it is time to listen. If the marginal productive product of these employees is more than this rate, job losses will not occur – of course, the estimates of this product can be easily manipulated by opponents who believe that managers provide much more productivity than people who actually work, so such estimates should be examined critically.

Internally, management usually have the correct number, but are loath to share it if doing so hurts their political point. A higher minimum wage puts the burden on employers and ultimately customers for fair base wages, rather than subsidies to low wage employers.

The engine of redistribution for families will be the NBRT. For those who are new to our comments, the NBRT is collected from employers but is not visible on purchase receipts, making it an SVAT.

It is designed to redistribute income within companies rather than having the government do it through more overt subsidies. The child tax credit will be paid out, as it is now, through wages, but doing so will not require any tax filing, save to verify that what is reported to the government matches what is distributed to workers. Setting it to \$1000 per child per month makes it adequate to provide what the Department of Agriculture estimates to be the actual cost of raising a child.

None other than Milton Friedman suggested a negative income tax and both Republican and Democratic presidents have enacted and expanded the Child Tax Credit.

This can be called a Pro-Life measure, not because it elects Republicans, but because it distributes enough money to families, including single mothers, to end the need to resort to abortion, or even contraception, for economic means. It is part of what Catholic Social Teaching calls a fair wage.

The fair wage is the essence of the Seamless Garment of Life as discussed by Cardinal Bernardin. The Center urges the National Right to Life Committee to make adoption of these recommendations a scored life issue. Failure to do so proves the point of NARAL-Pro-Choice America that abortion restrictions would be all about controlling sexuality. If the Minority wishes to prove NARAL wrong they can adopt these recommendations.

Employee-Ownership

Employee-ownership is the ultimate protection for worker wages. Our proposal for expanding it involves diverting an every-increasing portion of the employer-contribution to the Old Age and Survivors fund to a combination of employer voting stock and an insurance fund holding the stock of all similar companies. At some point, these companies will be run democratically, including CEO pay, and workers will be safe from predatory management practices. Increasing the number of employee-owned firms also decreases the incentive to lower tax rates and bid up asset markets with the proceeds.

Establishing personal retirement accounts holding index funds for Wall Street to play with will not help. Accounts holding voting and preferred stock in the employer and an insurance fund holding the stocks of all such firms will, in time, reduce inequality and provide local constituencies for infrastructure improvements and the funds to carry them out.

NBRT/SVAT collections, which tax both labor and profit, will be set high enough to fund employee-ownership and payment of current beneficiaries. All employees would be credited with the same monthly contribution, regardless of wage. The employer contribution to Old Age and Survivors Insurance will continue to provide income sensitive payments to current retirees, which will bolster the political acceptance of the entire system.

ESOP loans and distribution of a portion of the Social Security Trust Fund could also speed the adoption of such accounts. Our Income and Inheritance Surtax (where cash from estates and the sale of estate assets are normal income) would fund reimbursements to the Fund.

Contact Sheet

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Subcommittee on Social Security

**Hearing on Protecting and Improving Social Security:
Enhancing Social Security to Strengthen the Middle Class
Tuesday, March 12, 2019, 10:00 AM**

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears:

This testimony is not submitted on behalf of any client, person or organization other than the Center itself, which is so far unfunded by any donations.

