PROTECTING AND IMPROVING SOCIAL SECURITY: BENEFIT ENHANCEMENTS

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

MARCH 13, 2019

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PROTECTING AND IMPROVING SOCIAL SECURITY: BENEFIT ENHANCEMENTS

WEDNESDAY, MARCH 13, 2019

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

The Subcommittee met, pursuant to notice, at 2:15 p.m., in Room 2020 Rayburn House Office Building, Hon. John Larson [Chairman of the Subcommittee] presiding.

[The advisory announcing the hearing follows:]

HOUSE COMMITTEE ON WAYS & MEANS
CHAIRMAN RICHARD E. NEAL

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE CONTACT: (202) 225-3625
March 6, 2019
No. SS-2

Social Security Subcommittee Chairman Larson Announces a Subcommittee Hearing on Protecting and Improving Social Security: Benefit Enhancements

House Ways and Means Social Security Subcommittee Chairman John B. Larson (D-CT) announced today that the Subcommittee is holding the second hearing in its series on "Protecting and Improving Social Security." The hearing, "Protecting and Improving Social Security: Benefit Enhancements," will take place on Wednesday, March 13, 2019, at 2:00 PM, in room 2020 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 online 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 Wednesday, March 27, 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. With that, I call the committee to order. This is a hearing of the Subcommittee on Social Security on Protecting and Improving Social Security: Benefit Enhancements.

I want to thank everybody who was here yesterday for their participation, both those of you who were in the audience yesterday and the members who took part in the hearing. Today is the second hearing in a series on protecting and improving Social Security. Yesterday, we focused on the importance of Social Security and how it provides the middle class with economic security. Today, the focus is on how we can strengthen Social Security through benefit enhancements to meet the needs of today's beneficiaries and future generations.

Social Security benefits are an essential lifeline for millions of Americans. Without Social Security, 43 percent of older women would be living in poverty. And, as we heard yesterday from Maya Rockeymoore Cummings, a small business owner, Social Security provides not only a safety net but actually it is a boon to entrepreneurship so that, providing the opportunity for business formation in this country, entrepreneurs are able to take risks because they know that Social Security will be there.

That is why we need to act to strengthen Social Security and its benefits, because even with Social Security, seniors are struggling. According to a study done by an economist at the Federal Reserve, savings from private retirement plans are concentrated in the top 25 percent of the population. So, in other words, the data shows that 75 percent of Americans are, on average, not saving enough retirement income through private plans.

After the great recession 10 years ago, many saw their retirement savings wiped out. And according to economists at the Federal Reserve, on average 90 percent of households have not regained the wealth they lost in the recession. But Social Security remains there for them. It is consistent. Or, as Chairman Neal often says, you can outlive an annuity but you cannot outlive Social Security.

Social Security is the working person's retirement guarantee. Social Security 2100 Act, we believe, will strengthen this guarantee and allow seniors to retire with dignity by providing real benefits for them. It establishes a minimum benefit for Social Security that is 125 percent above the poverty level, ensuring no one that has worked their whole life will be able to retire into poverty.

And unfortunately, for more than 5 million Americans, that is the current case and more than three million women, and especially women of color.

It also takes into account seniors' actual needs when it comes to cost of living adjustments, commonly referred to as COLAs. The Social Security 2100 Act implements a COLA that is endorsed by the AARP, known as CPI–E, the E standing for elderly, and the actual costs that they incur. And whether that is heating and cooling your home, whether that is pharmaceuticals, whether that is doctor visits, whether it is physical therapy, these are all vitally important.

At yesterday's hearing, there was a lot of talk about people wanting to strengthen Social Security and we welcome that. But it is important that we get into the substance as well.

We are holding public hearings so that we can shine a bright light on all the proposals to secure Social Security that will help the American people. I want to thank Representative Rice yesterday for acknowledging that Chairman Johnson had a plan as well, and that Chairman Johnson, who we acknowledged yesterday for his distinguished service to his country, an iconic national hero, also had a proposal, a proposal that the chief actuaries also found was sufficiently solvent beyond 75 years. Of course, that bill was never heard. But it also cut benefits on average by 30 percent.

And I want to thank again Congressman Rice again for pointing that out in the discussion, of which he said there has got to be a need for us to come together as a committee and discuss this issue. And I think we should. And so that when we put forward proposals, whether they are goals or standards, that we talk specifically about just what it is that we are going to do. And I hope that our panel can accomplish that today.

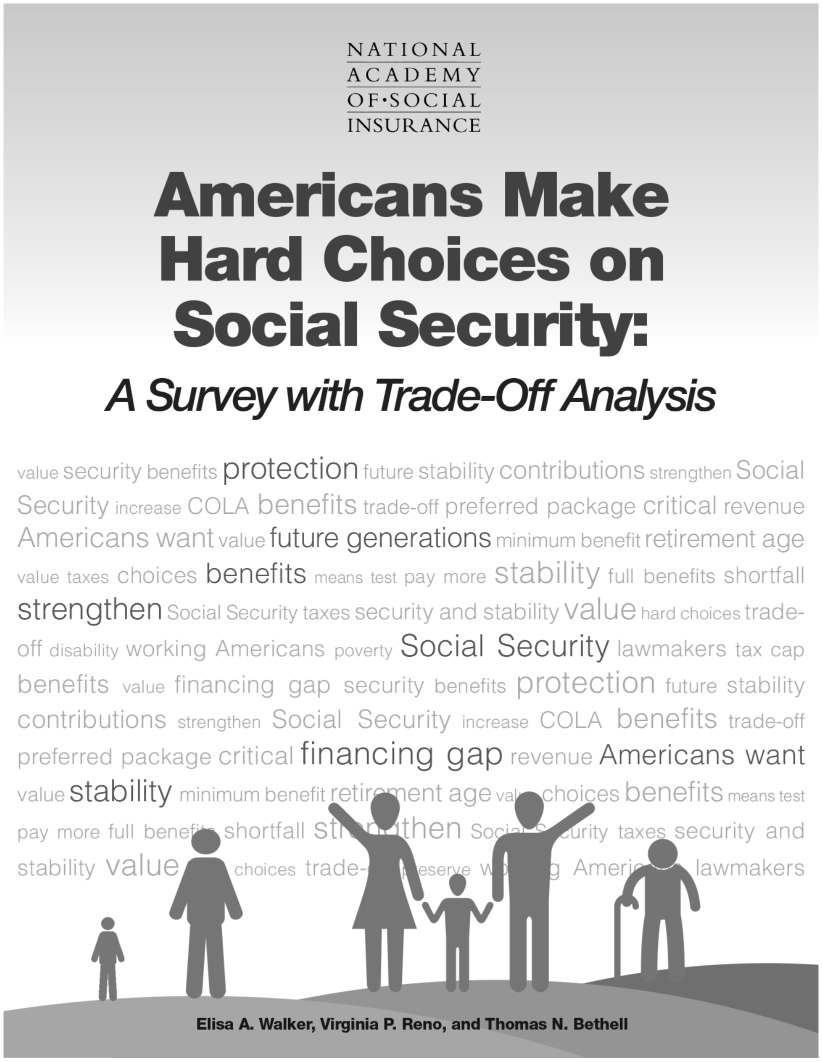
Our solution on this side is Social Security 2100. This would boost benefits and reaches solvency and does so by a modest premium increase. Because, as President Roosevelt intended, everybody in this country has skin in the game. Everybody, every American, understands when they look at their paycheck and they see FICA that it stands for Federal Insurance Contribution Act. They understand that they take that money out of their paycheck each and every week, biweek or month, so that they can have an earned benefit by way of an insurance policy that not only serves as a retirement vehicle but, unlike any other policy or program in this great government of ours, provides a disability benefit, provides spousal and dependent coverage as well.

The story of Social Security is replete, and we heard many good stories, including yesterday of the Republican leader's mother and what she had to endure in raising that great family that she did. And so we are pleased again today that we are going to be able to focus on this.

And I just wanted to take a look at a couple of things, including I would ask to submit for the record Americans Make Hard Choices on Social Security, a Survey with Tradeoff Analysis.

And this was done by the National Academy of Social Insurance.

[The National Academy of Social Insurance information follows:]


NATIONAL ACADEMY OF·SOCIAL INSURANCE
Americans Make Hard Choices on Social Security:
A Survey with Trade-Off Analysis
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Elisa A. Walker, Virginia P. Reno, and Thomas N. Bethell

NATIONAL ACADEMY OF•SOCIAL INSURANCE

The National Academy of Social Insurance

Founded in 1986, the National Academy of Social Insurance is a nonprofit, nonpartisan organization made up of the nation's leading experts on social insurance. Social insurance encompasses broad-based systems that help workers and their families pool risks to insure against loss of income due to retirement, death, disability, or unemployment, and to ensure access to health care. The Academy's mission is to advance solutions to challenges facing the nation by increasing public understanding of how social insurance contributes to economic security. For more information, visit www.nasi.org.

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The Academy is grateful to the Ford Foundation's Building Economic Security Over a Lifetime initiative and the Tufts Health Plan Foundation for supporting this study. Elisa A. Walker, Income Security Policy Analyst, Virginia P. Reno, Vice President for Income Security Policy, and Thomas N. Bethell, Senior Fellow at the National Academy of Social Insurance prepared this report. Jill Braunstein, Director of Communications, oversaw layout and production of the report. As with all Academy products, the report was reviewed by Academy member experts to ensure that it meets the organization's criteria for clarity, completeness, accuracy and objectivity. The findings in this report do not represent recommendations of the Academy, its staff, or its Board of Directors. Greenwald & Associates partnered with the Academy in conducting this study.

Greenwald & Associates

Greenwald & Associates is a market research firm headquartered in Washington, D.C. Founded in 1985, the firm has extensive experience in both quantitative and qualitative analysis of public opinion and consumer preferences in fields ranging from financial services to health, retirement, and aging policy. The firm's principal, Mathew Greenwald, Ph.D., was formerly the director of social research at the American Council of Life Insurers, and has been a member of the National Academy of Social Insurance since 2002. Ruth Helman, Research Director, managed the implementation of this study. For more information, visit www.greenwaldresearch.com.

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NATIONAL ACADEMY OF•SOCIAL INSURANCE

Americans Make Hard Choices on Social Security:

A Survey with Trade-Off Analysis

Elisa A. Walker, Virginia P. Reno, and Thomas N. Bethell

October 2014

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Executive Summary

Social Security is the foundation of retirement security for almost all Americans. Workers pay for Social Security through deductions from their pay, and employers pay a matching amount. About a third of beneficiaries also pay income taxes on part of their benefits, and these taxes help pay for future benefits. Social Security funds that are not used to pay immediate benefits are invested in Treasury securities and earn interest income for the Social Security trust funds.

By law, Social Security cannot borrow money. If funds are expected to run short, lawmakers must adjust the law to bring income and outgo into balance. The 2014 report of the program's trustees projects that Social Security reserves will be gradually drawn down until they are depleted in 2033.[1] After that, income from workers' and employers' Social Security taxes and beneficiaries' income taxes would cover only about three-quarters of scheduled benefits.

The projected financing gap can be closed by scheduling future revenue increases or benefit reductions, or some combination of both. Steps could also be taken to improve the adequacy of benefits. Doing so would increase program costs, which in turn — in the absence of other changes — would increase Social Security's projected financing gap. This study aims to learn what Social Security changes Americans favor and are willing to pay for.

To better understand Americans' views of Social Security and their preferences regarding options to strengthen the program for the future, the National Academy of Social Insurance collaborated with Greenwald & Associates to conduct a multigenerational study in June 2014. Two focus groups, convened in March 2014 in Baltimore, MD, helped inform the questionnaire design. The study included an online survey of 2,013 Americans ages 21 and older to explore their attitudes toward Social Security and their views about its future. The study incorporated an innovative application of trade-off analysis, which enabled researchers to examine how survey respondents weighed the appeal or lack of appeal of various packages of Social Security policy changes. A large majority of the respondents (87%) reported that they are registered voters. This study updates the results of a prior study that the Academy conducted in 2012.[2] The methodology section of this report describes the focus groups, the survey, and the trade-off analysis.

Key Findings

Americans value Social Security, want to improve benefits, and are willing to pay for the program.

Americans say they don't mind paying for Social Security because they value it for themselves (73%), for their families (73%), and for the security and stability it provides to millions of retired Americans, disabled individuals, and children and widowed spouses of deceased workers (81%).

86% agree that current Social Security benefits do not provide enough income for retirees, and 72% agree we should consider raising future Social Security benefits in order to provide a more secure retirement for working Americans.

77% agree that it is critical to preserve Social Security benefits for future generations, even if it means increasing Social Security taxes paid by working Americans, and 83% agree it is critical to preserve Social Security benefits for future generations, even if it means increasing taxes paid by top earners.

Americans prefer a package of changes that eliminates Social Security's projected financing gap and improves benefits.

The trade-off analysis finds that, rather than maintain the status quo, 71% of respondents would prefer a package of changes that increases Social Security revenues, pays for benefit improvements, and eliminates the projected financing gap. Trade-off analysis is a market research technique often used to learn which combinations of product features – or, in this case, policy changes – consumers prefer *and* are willing to pay for.

The preferred package would:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the approximately 6% of workers who earn more than the cap ($117,000 in 2014) would pay into Social Security throughout the year, as other workers do. In return, they would get somewhat higher benefits.
- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. A worker earning $50,000 a year would pay about 50 cents a week more each year, matched by the employer.
- Increase Social Security's cost-of-living adjustment (COLA) to reflect the higher inflation experienced by seniors.
- Raise Social Security's minimum benefit so that a worker who pays into Social Security for 30 years can retire at 62 or later and have benefits above the federal poverty line (currently about $11,670 a year for 1 person).

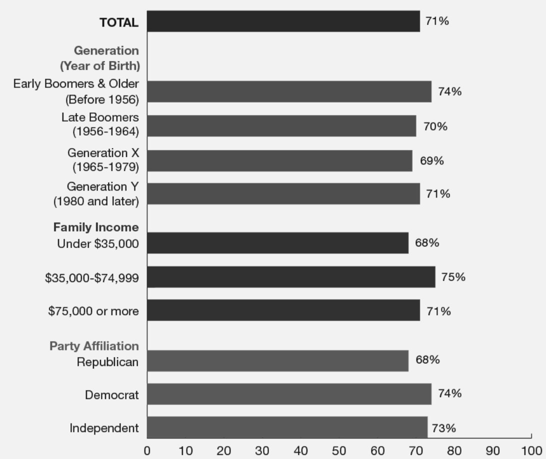
These four changes together would eliminate 113% of Social Security's projected long-term financing gap, providing a margin of safety. This package is preferred over the status quo by 7 in 10 survey participants across generations, income levels, and political party affiliations (Figure 1).

Certain changes have a strong impact on the appeal of policy packages.

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.
- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.
- Keep Social Security's full retirement age at 67 rather than raising it.
- Increase the COLA by basing it on inflation experienced by the elderly.

Figure 1. **Support for the Preferred Package of Policy Options in Trade-Off Analysis**



Source: National Academy of Social Insurance Survey, June 2014

In contrast, the trade-off analysis shows that options that *strongly decrease* a package's appeal would:

- Not increase Social Security's taxable earnings cap.
- Not increase Social Security's tax rate.
- Raise Social Security's full retirement age to 70.
- Lower the COLA.

Americans are counting on Social Security — but are not confident about its future.

Of respondents currently receiving Social Security, 95% say it is important to their monthly income; of those not currently receiving Social Security, 85% say it will be important to their income when they begin receiving benefits.

67% of respondents say that, without Social Security, they would have to make significant sacrifices or would not be able to afford the basics such as food, clothing, or housing in retirement.

62% of respondents say that they are not confident about the future of the program. Among those not yet receiving Social Security benefits, 68% lack confidence that they will receive all their earned benefits when they retire.

Americans' views about Social Security change when they are given factual information.

Official projections show that Social Security has sufficient funds to pay all benefits until 2033.[3] Just 24% of study participants know that Social Security would still be able to pay about 75% of scheduled benefits after 2033. Most of the rest think Social Security's finances would be in far worse shape.

After learning that raising Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that the program could pay full benefits for 75 years, the share of respondents who think Social Security financing is a crisis or a significant problem drops from 70% to 33%, while the share who think it is a manageable problem or not a problem at all rises from 30% to 67%.

About a third of respondents (33%) are not aware of Social Security's disability insurance protection. After learning that the average benefit for a disabled worker is $1,146 a month, just over half (55%) say they think that amount is too low. About 4 in 10 (41%) are not aware that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die. After learning that the average benefit for a child of a worker who died is $815 a month, nearly half of respondents (48%) say they think that amount is about right, while about 4 in 10 (43%) say they think it is too low.

SOCIAL SECURITY BASICS

Social Security is the foundation of retirement security for almost all Americans. While monthly benefits are modest — an average of $1,296 as of January 2014 — they are the main source of income for most seniors.[4] A third of elderly beneficiaries rely on Social Security for almost all (90% or more) of their income; two-thirds count on it for more than half of their income.[5] With its retirement benefits as well as life and disability insurance for workers and their families, Social Security keeps more than 22 million Americans out of poverty — including 1 million children, 6 million adults under age 65, and 15 million seniors.[6]

Workers pay for Social Security through deductions from their pay. They pay 6.2% of their earnings up to an annual cap ($117,000 in 2014) and employers pay a matching amount. In addition, about a third of beneficiaries pay income taxes on part of their benefits; these taxes go to Social Security's trust funds and to Medicare's Hospital Insurance trust fund to pay for future benefits.[7] Social Security funds that are not used to pay immediate benefits are invested in Treasury securities and earn interest income for the Social Security trust funds.

By law, Social Security funds can be used only to pay for Social Security benefits and administrative costs, which are low. Less than a penny of every dollar of outgo is spent on administration, while just over 99 cents is paid in benefits to the 58 million Americans who currently receive them.[8]

By law, Social Security cannot borrow money. If funds run short, Congress must adjust the law to bring income and outgo into balance. Every year the Social Security trustees issue a report that projects Social Security income and outgo over the next 75 years to give lawmakers and the public ample time to consider options to keep it in balance. According to the 2013 and 2014 reports, Social Security will have sufficient funds to pay all scheduled benefits until 2033. In the unlikely event that Congress did not act and the projection did not change by 2033, the reserves would be depleted and revenue coming into the system from workers' and employers' Social Security taxes and from beneficiaries' income taxes on benefits would cover only about three-quarters of scheduled benefits.[9]

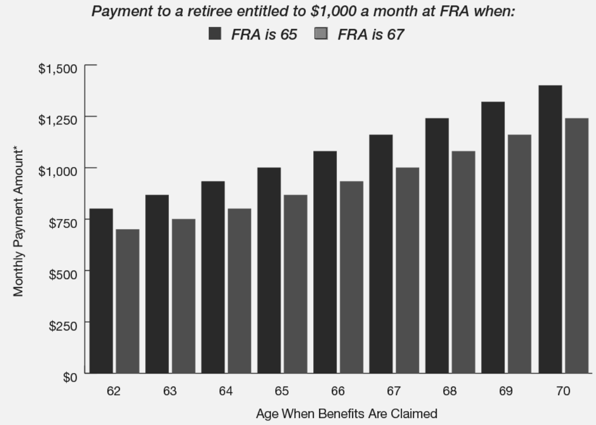
Over Social Security's 79-year history, lawmakers have never failed to act to ensure that legislated benefits are paid. The latest major changes to Social Security were enacted in 1983. The biggest change affecting Baby Boomers and younger workers is the gradual increase in the age of eligibility to receive full retirement benefits, from 65 (for workers born before 1939) to 67 (for workers born in 1960 and later). That increase in the retirement age means that Americans age 54 and younger today face a permanent benefit reduction of 13-14% from what they would have received if the retirement age were still 65 and they claimed at the same age.[10] A second change permanently delayed Social Security's cost-of-living adjustments (COLAs) by half a year. The third important change made Social Security benefits subject to income taxes. Legislation enacted in 1983 and expanded in 1993 provides for taxing part of Social Security benefits for people whose income exceeds a certain limit, and for returning those income-tax revenues to the Social Security and Medicare trust funds.

continued on p.6

The combined effect of raising the full retirement age, delaying the COLA, and taxing benefits is a reduction of about 24%, on average, in after-tax benefit income for retired beneficiaries by 2050.[11] The retirement-age change lowers benefits for all retirees as shown in the chart below; the COLA delay lowers benefits slightly for all beneficiaries; and taxation of benefits lowers net after-tax benefits more for higher-income beneficiaries. The 1983 legislation did not balance these cuts for future beneficiaries with any increase in Social Security taxes paid by future workers and employers, nor has any subsequent action by Congress. This study finds that the public is willing to pay more to preserve Social Security benefits for future generations, and that most Americans prefer to do so by gradually lifting the cap on taxable earnings and gradually raising the Social Security tax rate. Survey respondents also prefer to increase benefits in targeted ways.

Increase in Full Retirement Age (FRA) from 65 to 67 Lowers Benefits

Payment to a retiree entitled to $1,000 a month at FRA when:



Source: Calculations based on Social Security Administration, 2010. "Effect of Early or Delayed Retirement on Retirement Benefits," www.socialsecurity.gov/OACT/ProgData/ar_drc.html

* Monthly payment reflects 8% delayed retirement credit after FRA

What This Study Found

This study updates previous research, including the Academy's 2012 study, *Strengthening Social Security: What Do Americans Want?* The findings of this study are consistent with the 2012 study. The survey first asked attitudinal questions to learn participants' overall views of Social Security, their confidence in its future, their willingness to consider increasing or reducing future benefits, and their willingness to pay for the program now and in the future. The survey then asked respondents whether they favor or oppose 14 specific policy changes. Each potential policy change included an official estimate of its effect on Social Security's long-term financing gap. Options that would improve benefit adequacy would increase the financing gap, while options that would raise future revenues or reduce future benefits would reduce or eliminate the gap. The survey questionnaire is in Appendix B.

*More than a third (36%) of respondents **strongly** agree that they don't mind paying Social Security taxes because of the stability and security that Social Security provides to the millions of people who rely on its benefits.*

Twelve of the 14 Social Security policy changes were examined in the trade-off analysis. The trade-off analysis determined which package of policy options is preferred by survey participants and the proportion of participants who favor that package over the status quo – that is, leaving Social Security unchanged. Findings from the trade-off analysis reinforce findings from the attitudinal survey.

Attitudes and Knowledge about Social Security

Overall Views of Social Security

More than 2 in 3 respondents (68%) say they have a favorable view of Social Security. This positive viewpoint is shared across generations (Table 1).

While seniors — those born before or in the early part of the Baby Boom generation — are most likely to view Social Security favorably (79%), that view is shared by approximately two-thirds of respondents in the late Baby Boom generation (65%) and in Generation Y (68%), and by 57% of those in Generation X.

Favorable views of Social Security are reported by large majorities of Americans in all family income groups. Moreover, in contrast to their disagreements on many other issues,[12] majorities of Republicans (59%), Democrats (78%), and independents (65%) share a favorable view of the Social Security program.

Willingness to Pay for Social Security

A more compelling test of Americans' support for the Social Security program is whether they are willing to pay for it. As noted, Social Security is financed mainly by deductions from workers' wages. Workers have 6.2% of earnings deducted from their paychecks to finance Social Security, and employers pay a matching amount.

Large majorities of respondents, both working and retired, say they do not (or did not) mind paying Social Security taxes because it helps millions of people (81%) and because they (73%) or their families (73%) will benefit from it (Table 2).

In a striking show of support, more than a third (36%) of respondents *strongly* agree that they don't mind paying Social Security taxes because of the stability and security that Social Security provides to the millions of people who rely on its benefits — retired and disabled Americans and the children and widowed spouses of deceased workers. Agreement is strong across demographic and

Table 1. **Overall Views of Social Security, by Generation, Family Income and Party Affiliation**

Overall, is your view of Social Security very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable?

Respondent Characteristics	*Percent Favorable*
Total	68%
Generation (Year of Birth)	
Early Boomers & Older (before 1956)	79
Late Boomers (1956-1964)	65
Generation X (1965-1979)	57
Generation Y (1980 and later)	68
Family Income	
Less than $30,000	71
$30,000 to $49,999	69
$50,000 to $74,999	66
$75,000 to $99,999	66
$100,000 or more	65
Party Affiliation	
Republican	59
Democrat	78
Independent	65

Source: National Academy of Social Insurance Survey, June 2014
All subsequent references to generations in this report use the years of birth listed in this table.

Table 2. **Willingness to Pay for Social Security and Views on Increasing Benefits**

Questions	*Percent Agree*	*Percent Strongly Agree*
I don't mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers.	81%	36%
I don't mind paying Social Security taxes because I know I would have to help support my parents, grandparents or other family members if they did not receive Social Security.	73	32
I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire.	73	39
Social Security benefits now are more important than ever to ensure that retirees have a dependable income.	85	48
Some people believe that Social Security benefits do not provide enough income for retirees. Do you agree or disagree?	86	38
To provide a more secure retirement for working Americans, we should consider increasing Social Security benefits.	72	34
Social Security taxes are too high already. We should plan for future benefit cuts rather than raise tax rates further.	45	15

Source: National Academy of Social Insurance Survey, June 2014

party lines; those agreeing include 72% of Republicans, 87% of Democrats, and 81% of independents (Table 3).

Views on the Role of Benefits

Another indicator of support for Social Security is respondents' agreement that benefits are critically important in today's uncertain economy, that benefits are not as adequate as they might wish, and that benefit increases merit consideration (Table 3).

- 85% of participants agree that "Social Security benefits now are more important than ever to ensure that retirees have a dependable income." Those in agreement include half (48%) who strongly agree with the statement.
- 86% believe that Social Security benefits do not provide enough income for retirees, and 72% believe we should consider increasing benefits in order to provide a more secure retirement for working Americans.

Willingness to pay for Social Security and to consider increasing benefits is widespread and shared across generations. Seniors in the early Baby Boom generation, late Boomers in mid-career and approaching retirement, and younger workers in Generation X and Generation Y show consistent agreement on these issues. Higher- and lower-income respondents also agree. Among Democrats, Republicans, and independents, clear majorities agree that Social Security benefits are more important than ever in today's volatile economy; that they don't mind paying Social

Table 3. **Views on Importance of Social Security, Paying Taxes, and Increasing Benefits, by Generation, Family Income and Party Affiliation**
(Percent Agreeing)

Respondent Characteristics	Social Security benefits now are more important than ever…	I don't/didn't mind paying Social Security taxes because it provides security and stability to millions…	… we should consider increasing Social Security benefits.
Total	85%	81%	72%
Generation			
Early Boomers & Older	92	87	81
Late Boomers	87	81	71
Generation X	81	76	65
Generation Y	80	77	69
Family Income			
Less than $30,000	88	85	80
$30,000 to $49,999	88	82	79
$50,000 to $74,999	89	81	70
$75,000 to $99,999	81	77	63
$100,000 or more	78	76	61
Party Affiliation			
Republican	80	72	65
Democrat	91	87	79
Independent	86	81	70

Source: National Academy of Social Insurance Survey, June 2014

> *"I'm a registered nurse. Nurses tend not to stay with [one] company, so we normally don't get pensions. I know Social Security will be significant for me."*
>
> – Younger female focus group participant

Security taxes because they see the value of the program to millions of Americans; and that proposals to improve the adequacy of Social Security benefits merit consideration.

Awareness of Disability and Survivors Benefits

Many respondents are unaware of Social Security's disability and survivors insurance protection, even though Social Security is the primary form of those protections for most families. One in 3 is unaware of the program's disability protections, and more than 4 in 10 are unaware of its survivors insurance protection for the children and widowed spouses of workers who die (Table 4).

When given the average benefit amounts for these two programs – in January 2014, those were $1,146 for a disabled worker and $815 for the child of a worker who died – most respondents say the benefit amounts are either too low or about right (Table 5). Fewer than 1 in 10 say the benefits are too high.

Views on Paying More for Social Security

Social Security is financed mainly by a dedicated tax deducted from workers' paychecks and matched by their employers. Only earnings up to a cap ($117,000 in 2014) are taxed and counted toward benefits. About 6% of all workers earn more than the cap; they and their employers stop

Table 4. **Awareness of Social Security's Disability and Survivors Protections**

Are you aware … ?	*Yes, Aware*	*No, Unaware*
… that workers earn disability insurance through Social Security?	67%	33%
… that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die?	59	41

Source: National Academy of Social Insurance Survey, June 2014

Table 5. **Views on Disability and Survivors Benefit Amounts**

Questions	*Too Low*	*About Right*	*Too High*
The average Social Security benefit for a disabled worker was $1,146 a month in January 2014. Do you think that amount is …	55%	38%	7%
The average Social Security benefit for a child of a worker who died was $815 a month in January 2014. Do you think that amount is …	43	48	8

Source: National Academy of Social Insurance Survey, June 2014

paying into Social Security when they reach the cap.[13] In 2014, for example, a worker making $150,000 stopped paying taxes when his or her earnings reached $117,000 in September, while someone making $1 million stopped paying in February. Proposals to increase revenues for Social Security include raising or eliminating the earnings cap. That change would affect the 6% of workers whose earnings exceed the cap. Another way to increase Social Security revenues is to increase the 6.2% tax rate that workers and employers each pay. That would affect all workers who pay into Social Security. The survey explored Americans' views on who might pay more in order to improve Social Security's finances (Figure 2).

- When asked whether they agreed or disagreed that "It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by working Americans," 77% of respondents agreed, including 36% who strongly agreed. Those agreeing include 69% of Republicans, 84% of Democrats, and 76% of independents (Table 6).

- When asked whether they agreed or disagreed that "It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by top earners," 83% of respondents agreed, including 54% who strongly agreed. Those agreeing include 71% of Republicans, 92% of Democrats, and 84% of independents.

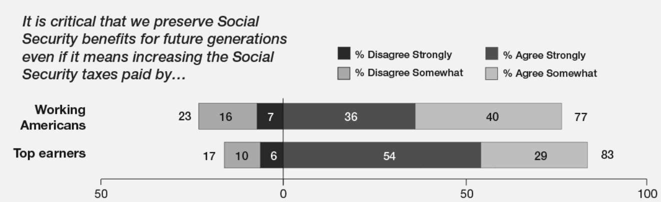
In brief, large majorities of Americans believe that all workers could contribute somewhat more to Social Security if necessary, and that better-off Americans could pay more because they have higher earnings. This holds true across generations, across income groups, and across political parties.

Another question asked respondents to consider two statements and choose which came closer to their views. The results confirm Americans' willingness to pay for Social Security and reluctance to cut benefits (Table 7). Nearly 8 in 10 respondents (79%) agree that "we should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans," while 21% agree that "we shouldn't raise taxes on any American, even if it means reducing Social Security benefits."

Trade-Off Analysis

Americans support Social Security, are willing to increase taxes in order to pay for it, if necessary, and want to consider benefit improvements. The trade-off analysis adds a new dimension to these attitudinal findings by identifying specific packages

Figure 2. **Views on Paying More to Preserve Social Security**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Table 6. **Views on Paying More to Preserve Social Security, by Generation, Family Income, and Party Affiliation**
(Percent Agreeing)

Respondent Characteristics	*Working Americans*	*Top Earners*
	It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by…	
Total	77%	83%
Generation		
Early Boomers & Older	87	87
Late Boomers	77	84
Generation X	71	81
Generation Y	70	81
Family Income		
Less than $30,000	77	84
$30,000 to $49,999	84	90
$50,000 to $74,999	76	85
$75,000 to $99,999	72	79
$100,000 or more	72	77
Party Affiliation		
Republican	69	71
Democrat	84	92
Independent	76	84

Source: National Academy of Social Insurance Survey, June 2014

of policy changes that respondents prefer. Trade-off analysis (also known as conjoint analysis) is a technique often used in marketing research to learn which elements of various packages of product features consumers want *and* are willing to pay for, and to estimate which package is most favored. In this study, trade-off analysis is used to learn which of various packages of Social Security policy changes Americans want and are willing to pay for. This application of trade-off analysis to Social Security policy was first used in the Academy's 2012 study. The technique allows researchers to calculate which package of Social Security changes is most preferred over the status quo and what proportion of participants prefer that package. More details about the trade-off analysis are in the methodology section of this report; examples of the exercise and descriptions of the policy options that respondents considered are in Appendices C and D, respectively.

The 12 policy options included in the trade-off analysis, and the impact of each option on Social Security's long-term financing gap, are shown in Table 8. Four options to raise revenues — two by raising the cap on earnings subject to Social Security taxes and two by raising the tax rate — reduce the financing gap. Four options to lower future benefits — two by raising the full retirement age, one by means-testing benefits, and one by lowering the annual cost-of-living adjustment — also reduce the financing gap. In contrast, the four options that increase the adequacy of benefits would increase the financing gap.

The trade-off analysis finds that Americans prefer packages that both raise Social Security revenues and increase benefits.

Americans' Preferred Packages of Policy Changes

The trade-off analysis finds that Americans prefer packages that both raise Social Security revenues and increase benefits. The most favored solution — Package A (Table 9, Figure 1) — is preferred over the status quo by 71% of respondents. It would eliminate 113% of Social Security's financing gap, meaning that it would entirely eliminate the gap and have money left over for a margin of safety.[14]

Package A would:

1. Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the 6% of workers who earn more than the cap would pay into Social Security all year, as other workers do. In return, they would get somewhat higher benefits.

2. Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. The increase would be so gradual that a worker earning $50,000 a year would pay about 50 cents a week more each year, matched by the employer.

3. Increase Social Security's cost-of-living adjustment (COLA) to reflect the higher level of inflation experienced by seniors.

4. Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor. (The poverty line in 2014 is about $11,670 a year for one person.)[15] Currently, lifetime low-wage workers are at risk of living in poverty in retirement, even after paying Social Security taxes throughout their working lives.

A second package — Package B — received the next highest level of support (68%) in the trade-off analysis. Package B differed only slightly from Package A. The only difference is that Package B, instead of increasing the minimum benefit as in Package A, would increase benefits across the board by $65 a month (Table 9). It would eliminate more than 90% of the financing gap.

While preferences for Packages A and B vary slightly by segments of the population, these differences are small (Table 9). Although one might expect younger respondents to resist packages that include tax increases — since they will bear the brunt of such increases — this does not appear to be the case. Preferences for Packages A and B,

Table 7. **Preferences on Reducing Benefits or Increasing Taxes**

Which of the two statements below comes closer to your view?	*Percent Agree*
We should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans.	79%
We shouldn't raise taxes on any American, even if it means reducing Social Security benefits.	21

Source: National Academy of Social Insurance Survey, June 2014

Table 8. **Individual Policy Changes in Trade-Off Analysis and Impact of Each on Social Security's Financing Gap**

Policy Option	*Percent Change in Long-Term Financing Gap*
Social Security's Taxable Earnings Cap	
• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed	-74%
• Lift the earnings cap over 5 years to tax 90% of earnings	-29
• No change	0
Social Security Tax Rate	
• Raise the tax rate for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	-76
• Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers	-52
• No change	0
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	-16
• Gradually raise the full retirement age to 70	-25
• No change	0
Means-Test Social Security	
• Require people to provide proof of eligibility based on income to receive benefits	-20
• No change	0
Social Security's Cost-of-Living Adjustment (COLA)	
• Lower the Social Security COLA	-20
• Increase the Social Security COLA by basing it on inflation experienced by seniors	+14
• No change	0
Benefits for All Beneficiaries	
• Increase benefits by $65 a month for all beneficiaries	+29
• No change	0
Benefits for Lifetime Low-Wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	+9
• No change	0
Children's Benefits for Students	
• Restore the student benefit until age 22 for children whose working parents have died or become disabled	+3
• No change	0

Source: National Academy of Social Insurance, based on information in Appendix E
Changes in financing gap are based on the projections of the 2013 Social Security Trustees Report.

Table 9. **Comparing Package A and Package B**

Package Features	*Package A*	*Package B*
Common Features	• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed • Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers • Increase the COLA by basing it on inflation experienced by seniors	
Different Features	• Increase the minimum Social Security benefit	• Increase benefits by $65 a month for all beneficiaries
Decline in Financing Gap	113%	93%
Percent Preferring Package to No Change		
Total	71%	68%
Generation		
Early Boomers & Older	74	72
Late Boomers	70	68
Generation X	69	65
Generation Y	71	68
Family Income		
Under $35,000	68	65
$35,000 to $74,999	75	72
$75,000 or more	71	68
Party Affiliation		
Republican	68	66
Democrat	74	71
Independent	73	69

Source: National Academy of Social Insurance Survey, June 2014
Change in financing gap is based on the projections of the 2013 Social Security Trustees Report.

both of which raise taxes, are slightly higher for those in the early Baby Boom and earlier generations, yet nearly two-thirds of Generation X and Generation Y still prefer (over the status quo) packages that increase Social Security revenues and improve benefits. Similarly, one might expect Republicans to prefer packages that do not increase taxes, yet about two-thirds of Republicans prefer Packages A and B over the status quo.

Prior to engaging in the trade-off exercise, survey respondents were also asked whether they would favor or oppose a composite package of policy changes that would entirely eliminate Social Security's financing gap. This package contained the same elements as Package A. Altogether, 76% of respondents favor this package, including 30% who strongly favor it (Figure 3). While this direct question – do you favor or oppose this package? – is different from the methods used in the trade-off analysis, the consistent results reinforce the finding that Americans favor policies that rely on revenue increases to close Social Security's financing gap and pay for modest benefit improvements.

At least 7 in 10 respondents in every generation, family income group, and political party affiliation favor Package A (Figure 3). Support is consistent even in the highest family income group, which includes the top 6% of earners who make more than the taxable earnings cap and who would pay more into Social Security if the cap were gradually eliminated. The gradual increase in the tax rate would affect workers in all income groups. Support is also strong across party lines, with 72% of Republicans and 80% of Democrats in favor of Package A.

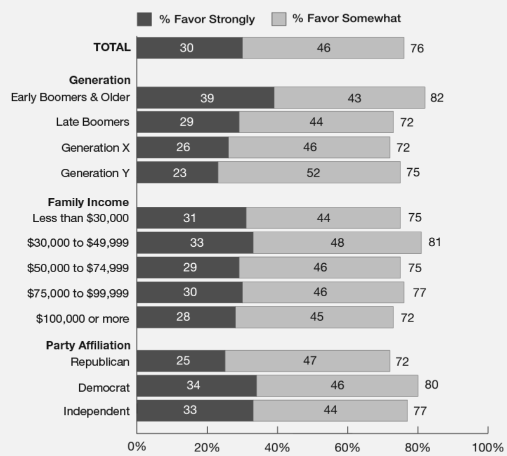
Individual Policy Options in the Trade-off Analysis

Trade-off analysis can estimate the appeal of specific policy options within packages. Table 10 shows the appeal of each of the policy changes examined in the trade-off analysis. For example, when a policy option has a "strong positive" impact, respondents were much more likely to choose a package when that option was included.

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.

Figure 3. **Support for Package A, by Generation, Family Income, and Party Affiliation**



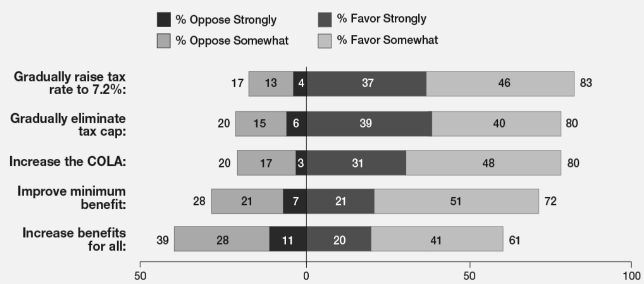
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Table 10. **Individual Policy Changes in Trade-Off Analysis and Impact on the Appeal of a Policy Package**

Policy Option	*Impact on Appeal of a Policy Package*
Social Security's Taxable Earnings Cap	
• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed	**Strong Positive**
• Lift the cap over 5 years to tax 90% of earnings	Weak Positive
• No change	**Strong Negative**
Social Security Tax Rate	
• Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers	**Strong Positive**
• Raise the tax rate for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	Little Impact
• No change	**Strong Negative**
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	Little Impact
• Gradually raise the full retirement age to 70	**Strong Negative**
• No change	**Strong Positive**
Social Security's Cost-of-Living Adjustment (COLA)	
• Increase the Social Security COLA by basing it on inflation experienced by seniors	**Strong Positive**
• Lower the Social Security COLA	**Strong Negative**
• No change	Little Impact
Benefits for Lifetime Low-Wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	Weak Positive
• No change	Weak Negative
Benefits for All Beneficiaries	
• Increase benefits by $65 a month for all beneficiaries	Weak Positive
• No change	Weak Negative
Means-Test Social Security	
• Require people to provide proof of eligibility based on income to receive benefits	Weak Negative
• No change	Weak Positive
Children's Benefits for Students	
• Restore the student benefit until age 22 for children whose working parents have died or become disabled	Little Impact
• No change	Little Impact

Source: National Academy of Social Insurance Survey, June 2014

Figure 4. **Five Preferred Policy Options**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.
- Keep Social Security's full retirement age at 67 rather than raising it.
- Increase the COLA by basing it on inflation experienced by seniors.

In contrast, the trade-off analysis shows that options that strongly decrease a package's appeal would:

- Not lift the taxable earnings cap for Social Security.
- Not increase the Social Security tax rate.
- Raise Social Security's full retirement age to 70.
- Lower the COLA by using a new measure of inflation.

Views on Individual Policy Options

The survey also asked respondents their views on policy options one at a time. While this type of direct question – do you favor or oppose this option? – is different from the methods used in the trade-off analysis to estimate the appeal of different options as part of a package, the results are consistent. The five options included in Packages A and B in the trade-off analysis were also strongly favored in the survey questions (Figure 4).

Majorities of respondents support all of the revenue-raising options and all of the options to increase Social Security benefits. Options that would reduce benefits generally received low support. The extent to which respondents favor or oppose individual options to increase revenues, increase benefits, or reduce benefits is discussed next.

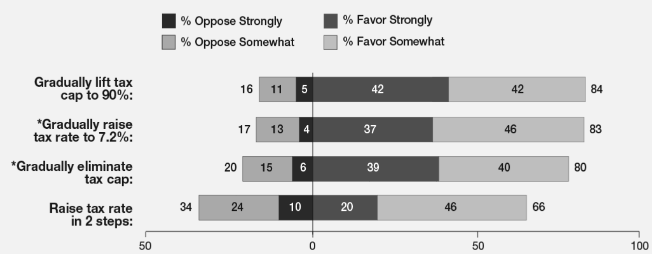
Revenue Increases

Participants examined four options to increase revenues for Social Security. The two that are part of the preferred packages in the trade-off exercise include gradually eliminating the taxable earnings cap and very gradually raising the Social Security tax rate that workers and employers each pay from 6.2% to 7.2%. Two other options include lifting the taxable earnings cap but not eliminating it completely, and raising the tax rate in two steps to 8.2%. All four of the revenue options are favored

*"It shouldn't matter what you make.
Everybody should pay into Social Security
12 months of the year."*

– Younger female focus group participant, referring to lifting the cap on taxable earnings

Figure 5. **Revenue Options**



Source: National Academy of Social Insurance Survey, June 2014
Starred options (*) were included in the preferred packages (Package A and/or B) in the trade-off analysis.
Bars may not total due to rounding.

by large majorities in the survey, and three of the options are *strongly* favored by more than a third of respondents (Figure 5).

Findings in these survey questions confirm findings from the trade-off analysis: the two revenue increase options that were part of the preferred packages in the trade-off analysis were also strongly favored in the survey. More than four in five respondents (83%) favor gradually raising the Social Security tax rate to 7.2%, and 80% favor gradually eliminating the taxable earnings cap. Moreover, of respondents favoring these options, nearly half favor them strongly.

Support for each revenue increase is widespread across generations, family income groups, and party affiliations. Table 11 shows the percent of respondents in each demographic group favoring the two revenue options that were part of the preferred packages. These findings regarding specific policy changes confirm earlier findings about Americans' general attitudes: across demographic and party lines, Americans believe that all workers can pay somewhat more to preserve Social Security and that better-off workers can pay more.

Gradually eliminate the taxable earnings cap: Gradually eliminating the tax cap over 10 years would mean that the top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as everyone else does. In return they would receive somewhat higher benefits when they retire. This change would reduce the financing gap by 74%. The trade-off analysis shows that gradually eliminating the taxable earnings cap over 10 years has a strong positive impact on the appeal of a package, and the survey results confirm this finding. Even in the top income group – with family incomes over $100,000 – a large majority

"Fifty cents a week seems negligible. Even [people] working in a fast food place, young kids, can handle 50 cents a week. They won't even notice 50 cents a week."

– Older female focus group participant, referring to gradually raising the Social Security tax rate

Table 11. **Two Preferred Revenue Options by Generation, Family Income, and Party Affiliation**
(Percent Favoring)

Respondent Characteristics	***Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security***	***Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% to 7.2%***
Total	80%	83%
Generation		
Early Boomers & Older	84	88
Late Boomers	81	84
Generation X	79	79
Generation Y	74	79
Family Income		
Less than $30,000	80	85
$30,000 to $49,999	83	86
$50,000 to $74,999	81	82
$75,000 to $99,999	79	81
$100,000 or more	76	77
Party Affiliation		
Republican	79	79
Democrat	80	87
Independent	81	82

Source: National Academy of Social Insurance Survey, June 2014

(76%) favors eliminating the cap on earnings that are taxed for Social Security, a change that would affect the top 6% of earners.

Gradually raise the tax rate: Similarly, gradually raising the Social Security tax rate over 20 years from 6.2% to 7.2% also has a strong positive appeal in both the trade-off analysis and the survey's attitudinal question. For a worker earning $50,000, raising the rate by 1/20 of 1% a year for 20 years would mean, each year, paying about 50 cents more a week, matched by the employer. This change would reduce the financing gap by 52%. In every demographic group surveyed, large majorities (including 83% of all respondents) supported gradually raising the tax rate in this way.

Gradually Lift the Taxable Earnings Cap to Cover 90% of Earnings: When Congress last adjusted the cap, it set the cap to cover 90% of all earnings by American workers. Because the earnings of the highest-paid workers have increased faster than average earnings, the cap now covers only about 83% of all earnings. Survey participants were asked whether they would favor or oppose a proposal that would gradually increase the taxable earnings cap to $230,000 per year, a level that would restore the intent of Congress to subject 90% of all earnings to Social Security taxes. The top-earning 6% would pay more into Social Security and would receive somewhat higher benefits in return. This change would reduce the financing gap by 29%.

In the survey, this option was strongly supported by more respondents than any other individual policy option: 84% of respondents favor it, including 42% who favor it strongly (Figure 5). Trade-off analysis shows that this policy change has a weak positive impact on the appeal of a package: it is preferred over not lifting the cap at all, but it has much less appeal than eliminating the cap altogether (Table 10). Respondents may favor lifting the tax cap when considering options individually, but when considering an entire package of changes – including the package's overall impact on Social Security's financing gap – they strongly prefer eliminating the cap entirely, perhaps because of its larger effect on reducing the financing gap.

Raise Social Security's Tax Rate in Two Steps: This option would increase, in two steps, the Social Security tax rate that workers and employers each pay — from 6.2% now to 7.2% in 2022 and to 8.2% in 2052. Each change would mean an increase of $9.60 per week, matched by the employer, for a worker earning $50,000 per year. A majority (66%) of survey respondents favor this package, but support for this option was lower than for any of the other three revenue options in the survey. Likewise, trade-off analysis shows that this option has little impact on the appeal of a package, likely because respondents strongly prefer to very gradually lift the tax rate to 7.2% over 20 years (Table 10)

Benefit Increases

Individual policy questions in the survey asked participants' views on various options to increase Social Security benefits for particular groups or for all beneficiaries. All of these options were favored by a majority of participants (Figure 6). Three of the options were also included in Packages A and/or B in the trade-off analysis, confirming that respondents not only like these options but are willing to pay for them.

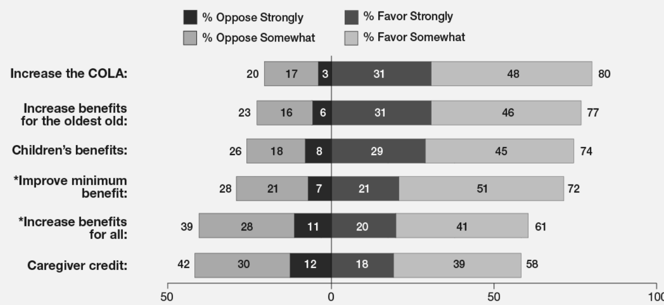
Increase the Cost-of-Living Adjustment (COLA): The purpose of Social Security's COLA is to automatically adjust benefits to keep up with inflation. One proposal would base the COLA on inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation. To illustrate, if average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA for the elderly would increase a $1,000 monthly benefit by $32 instead of by $30. While this change would more fully protect seniors against inflation, it would also increase Social Security's financing gap by 14%. Four in five respondents (80%) favor this option, with nearly a third strongly favoring it – putting this among the most strongly favored of all the options included in the survey (Figure 6). Support is consistent across generations, family income levels and political party affiliation (Appendix Figure A1). Similarly, trade-off analysis shows that increasing the COLA strongly increases the appeal of a policy package (Table 10), and it is included in both of the preferred packages of changes.

Increase Benefits for the Oldest Old (85+): Older beneficiaries are most likely to rely on Social Security for most or all of their income. Respondents were asked their opinion of increasing benefits for Social Security beneficiaries by $65 a month at age 85. This change would increase

"I support [extending benefits for surviving children] because this was me. My mother died when I was 17. I was in high school. I collected on her Social Security [in college], and it made a big difference in my life."

– Older female focus group participant, referring to restoring children's benefits for students

Figure 6. **Options to Increase Benefits**



Source: National Academy of Social Insurance Survey, June 2014
Starred options (*) were included in the preferred packages (Package A and/or B) in the trade-off analysis.
Bars may not total due to rounding.

Social Security's financing gap by 4%. More than three quarters (77%) of respondents favor this option, including 31% who favor it strongly.

Children's Benefits for Students: Children whose working parents have died or become disabled receive Social Security benefits until age 18 (or 19 if they are still in high school). In the past, these benefits could continue until age 22 if the child was attending college or vocational school. The survey asked respondents whether they would support restoring those benefits, which would help children in families that have lost a breadwinner's income to complete their education.[16] Restoring these benefits for children of disabled or deceased workers would increase Social Security's financing gap by 3%. About three quarters (74%) of survey respondents favor this option, although trade-off analysis shows that its inclusion has little impact on the appeal of a package (Table 10).

Increase Social Security's Minimum Benefit: Men and women who work all their lives at low wages are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked. (For example, the current benefit for a life-long, full-time minimum wage worker retiring at age 62 is $8,230 a year.)[17] One proposal would raise the minimum Social Security benefit to ensure that someone who works and

> *"I've worked around a lot of low wage workers and you'd be surprised – they're not all teenagers. Not everybody is going to be a manager or an owner. So I think there should be a minimum, if they've worked for 30 years, even if we are putting in a little bit more to make sure [it happens]."*
>
> – Older male focus group participant, referring to increasing the minimum benefit for lifetime low-wage workers

pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is currently about $11,670 a year for one person.) This change would increase Social Security's financing gap by 9%. More than 7 in 10 (72%) of survey respondents favor increasing the minimum benefit, including about 1 in 5 (21%) who favor it strongly. Support is consistent across generations, family income levels and political party affiliation (Appendix Figure A2). In the trade-off analysis, this option is part of the preferred package, and including this minimum benefit in a policy package slightly increases the appeal of the package (Table 10).

Increase Benefits for All Beneficiaries: Social Security benefits are modest; the average retirement benefit in January 2014 was $1,296 per month. One proposal would increase Social Security benefits by $65 a month for all beneficiaries. This change would increase the financing gap by 29%. Survey respondents were asked whether they would favor or oppose this benefit increase, and 61% favor it. Support is relatively consistent across generations, family income groups, and political party affiliations, with majorities in almost all groups supporting increasing benefits for all workers (Appendix Figure A3). Only in the highest family income group (with incomes above $100,000) does support fall below half: in that group, 48% support this option. Trade-off analysis shows that this feature is included in Package B, the second most preferred package of changes, and generally has a weak positive effect on the appeal of a package (Table 10).

Caregiver Credit: Social Security benefits are based on the amount of money workers earn over their entire careers. Currently, when a working parent leaves the workforce for a period of time to care for children, that uncompensated time counts as zeros in computing the earnings to be replaced by Social Security benefits. Survey respondents were asked their opinions of a proposal that would count that unpaid time toward the parent's future Social Security benefits so that benefits are not reduced because of this gap in paid work. This change would increase Social Security's financing gap by 8%. A majority (58%) of survey respondents favor this option.

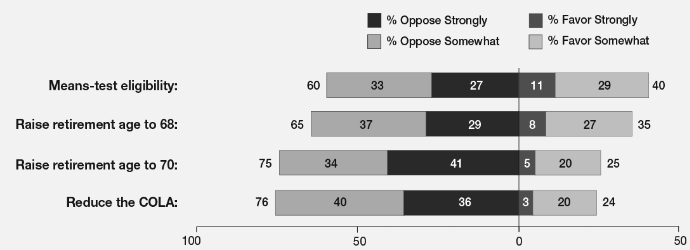
Benefit Reductions

Four survey questions asked respondents about their views on ways that Social Security benefits might be reduced to help balance the system's future finances. Options include reducing the COLA, means-testing eligibility for benefits, and raising the age of eligibility for full retirement benefits from 67 to 68 or 70. The survey finds that Americans are much less inclined to reduce future benefits than to raise future revenues as a way to balance Social Security's long-term financing. None of the options to reduce benefits garnered majority support (Figure 7).

Means-Test Social Security: Means-testing would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Benefits would be reduced for individuals with non-Social Security annual income higher than $55,000 ($110,000

> *"With raising the retirement age, there's a lot of construction workers and a lot of [people in] manual labor that just can't do it after 65."*
>
> – Older male focus group participant, referring to raising Social Security's full retirement age

Figure 7. **Options to Reduce Benefits**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

for couples) and eliminated for income higher than $110,000 ($165,000 for couples). Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes. This proposal might reduce the financing gap by 20%. More survey respondents (40%) favor means-testing than any other option to reduce benefits, but a majority (60%) oppose it, and trade-off analysis shows that means-testing has a weak negative effect on the appeal of a package (Table 10). Opposition is steady across generations, income levels, and political party affiliations (Appendix Figure A4).

Raise the Full Retirement Age to 68 or 70: Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can begin collecting Social Security retirement benefits before their full retirement age, starting at age 62, but benefits are reduced. When the full retirement age is higher, the reduction for starting benefits at age 62 (or any given age) is proportionally larger, so increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase from 65 to 67 is a 13% benefit cut.

Further increasing the full retirement age to 68 would reduce retirement benefits by another 6-7% for younger workers. This change would reduce Social Security's financing gap by 16%. Nearly two thirds (65%) of survey respondents oppose increasing the retirement age to 68, with 29% opposing it strongly. Trade-off analysis shows that this change has little impact on the appeal of a package (Table 10).

Raising the full retirement age to 70 drew even more opposition. This change would reduce monthly benefits by about 21% on top of the change from 65 to 67. It would reduce Social Security's financing gap by 25%. Fully three quarters (75%) of survey respondents oppose this change, and more than 4 in 10 oppose it strongly. Opposition is steady across generations, income levels, and political party affiliations (Appendix Figure A5). Similarly, trade-off analysis shows that including this change in a package of policy changes has a strong negative impact on the appeal of the package (Table 10).

Reduce the COLA: This policy option would lower the cost-of-living adjustment (COLA) by using a different measure of inflation (the chained CPI) that generally rises more slowly than the current measure. This change would reduce beneficiaries' protection against inflation, and the small differences would add up over time, so the oldest seniors would experience the biggest benefit cuts overall. This change would reduce Social Security's financing gap by 20%. More than three quarters (76%) of respondents oppose reducing the COLA, including 36% who oppose it strongly. Similarly, trade-off analysis shows that including this change has a strong negative impact on the appeal of a package (Table 10).

Confidence in Social Security's Future

Americans Are Counting on Social Security – But Lack Confidence in its Future

Of those currently receiving Social Security, 95% say it is important to their monthly income; of those not currently receiving Social Security, 85% say it will be important to their income when they begin receiving benefits. Two thirds of respondents (67%) say that without Social Security they would have to make significant sacrifices or would not be able to afford the basics such as food, clothing, or housing in retirement.

The survey findings confirm that despite their strong support for Social Security, most Americans do not feel very confident about the program's future (Table 12).

- Most respondents (62%) say they are not very or not at all confident in the future of Social Security.
- When respondents not yet receiving Social Security benefits are asked whether they are confident that they will receive all of the benefits they have earned and are supposed to receive, 68% say they are not confident.

Low levels of confidence are consistent across all generations of Americans not yet receiving Social Security benefits (Table 12). And substantial majorities of people not yet receiving benefits — regardless of income level or political party affiliation — express doubts that the benefits they are supposed to receive when they retire will actually be paid to them.

Views about Social Security Change When Facts Are Provided

Official projections by Social Security's actuaries in both the 2013 and 2014 Social Security Trustees Reports show that the program has sufficient funds to pay 100% of scheduled benefits until 2033. When survey participants are asked what would happen after 2033 if nothing is done to strengthen the program in the meantime, just 24% know that Social Security would still be able to pay about three-quarters of scheduled benefits. Most of the rest think Social Security's finances would be in far worse shape; nearly 3 in 10 (28%) think Social Security would be unable to pay any benefits at all (Table 13).

After learning that raising Social Security's taxes from 6.2% to 7.7% of earnings for both workers and employers would ensure that the program could pay full benefits for 75 years, the share of survey participants who think Social Security financing is a crisis or significant problem drops from 70% to 33%, while the share who think it is a manageable problem or not a problem at all rises from 30% to 67% (Table 14, Figure 8). The availability of factual information substantially allays respondents' concerns about the future of Social Security.

Table 12. **Confidence in Social Security's Future**

Respondent Characteristics	**All Respondents** *How confident are you in the future of the Social Security system?*	**Respondents not yet receiving Social Security** *How confident are you that all of the Social Security benefits you are supposed to get will be available to you when you retire?*
Confident	38%	32%
Not confident	62	68
Respondents by Generation, Family Income, and Party Affiliation (Percent *not* confident):		
Generation		
Early Boomers & Older	46	34
Late Boomers	64	66
Generation X	72	76
Generation Y	68	75
Family Income		
Less than $30,000	56	65
$30,000 to $49,999	54	63
$50,000 to $74,999	68	75
$75,000 to $99,999	66	69
$100,000 or more	63	69
Party Affiliation		
Republican	69	75
Democrat	54	59
Independent	64	71

Source: National Academy of Social Insurance Survey, June 2014

Table 13. **Knowledge of Social Security's Future Financing**

Official Social Security Administration projections show that the Social Security system has enough money to pay all benefits until the year 2033. If no changes are made to the program, which one of the following do you think would be most likely to happen after 2033?

Social Security would be able to pay 100% of benefits	11%
Social Security would be able to pay 75% of benefits	24
Social Security would be able to pay 50% of benefits	26
Social Security would be able to pay 25% of benefits	10
Social Security would be unable to pay benefits at all	28

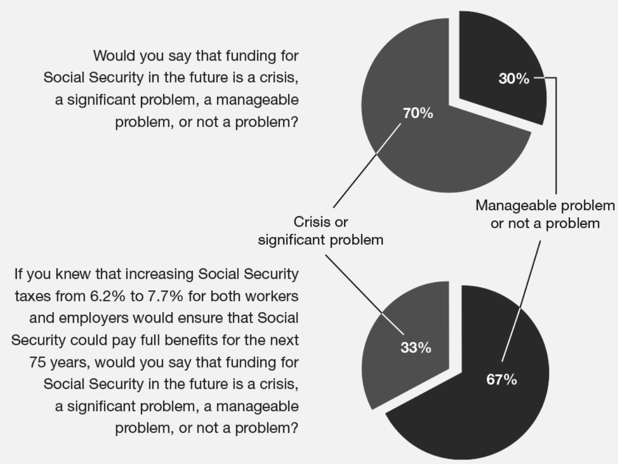
Source: National Academy of Social Insurance Survey, June 2014

Table 14. **Perception of Social Security Funding Shortfall**

	No new information	*If you knew that increasing Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years…*
Would you say that funding for Social Security in the future is … ?		
Crisis or significant problem	70%	33%
Crisis	23	9
Significant problem	47	24
Manageable problem, or not a problem	30	67
A manageable problem	27	58
Not a problem	3	9

Source: National Academy of Social Insurance Survey, June 2014

Figure 8. **Perception of Social Security Shortfall: Effect of New Information**



Source: National Academy of Social Insurance Survey, June 2014

Social Security payments now comprise about 5% of the economy (gross domestic product, or GDP). As Boomers continue to retire, that share will rise to about 6.2% of GDP by 2035, and will then drop back and level off at about 6% for the rest of the next 75 years.[18] When asked whether they agree or disagree that "this means that as a nation we can afford Social Security," a majority (63%) agrees that the program is affordable. Providing economic context helps respondents assess whether Americans in the future can afford to maintain benefits.

Comparisons with 2012 Study

This study updates the Academy's 2012 study, *Strengthening Social Security: What Do Americans Want?*, which was released in January 2013.

In large part, the present study replicates the 2012 study. Both studies included two focus groups, an online survey of 2,000 Americans drawn from a consumer panel, and a trade-off exercise. Many of the same questions were asked in both studies. The key findings are also consistent.

Wording Changes

While the main findings and much of the methodology are consistent between the two studies, some differences in survey questions are worth noting. All of the Social Security data and cost estimates used in the survey and trade-off exercise were updated to reflect the most current data available. Some survey questions and trade-off definitions had wording changes to improve clarity, often in response to feedback from the focus groups. For example, when considering increasing Social Security's minimum benefit for lifetime low-wage workers, several focus group participants asked for information on what wage level is considered "low-wage" and on the poverty line. In response, the description of that option in the present study included examples of low wage earnings ("for example, full-time at the minimum wage") and of the poverty line ("about $11,670 a year, or $970 a month, for one person"). The full text of the survey questionnaire is in Appendix B.

In the 2012 survey, questions asking whether respondents favor or oppose individual policy changes included "not sure" as an answer choice in the middle of the scale, and respondents often chose that answer. In order to encourage respondents to indicate their preferences despite some uncertainties, the new study removed "not sure" as a response choice. Respondents could indicate that they "somewhat" or "strongly" favored or opposed each change.

Table 15. **Removing "Not Sure" as an Answer Choice**

Do you favor or oppose this change [raising the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052]?	*2012 Study*	*2014 Study*
Favor strongly	24%	20%
Favor somewhat	30	46
Not sure	26	-
Oppose somewhat	14	24
Oppose strongly	6	10

Source: National Academy of Social Insurance Surveys, September 2012 and June 2014

To illustrate, Table 15 presents the 2012 and 2014 responses to the question asking respondents' views on raising the Social Security tax rate in two steps in the future. The question wording and answer choices were identical except for removing "not sure" as an answer choice. Without "not sure" as an answer choice, more respondents say they "somewhat" favor or oppose the change.

Because of these wording changes, the responses to many of the survey questions in the present study are not directly comparable to the 2012 results. Moreover, some new questions were added in the present study, for instance questions about Social Security's disability and survivors protections (Tables 4 and 5).

Small Changes in Findings

The present study confirms findings from the 2012 study that Americans across generations, income levels, and party affiliations say they value Social Security, they don't mind paying for it, and they are willing to pay more, if necessary, to preserve benefits for future generations. On some questions, support for Social Security appears to be slightly lower in the present study compared to the 2012 study. For example, 68% of respondents – compared to 72% in 2012 – say they have a favorable view of Social Security, and 72% – compared to 75% in 2012 – say we should consider increasing benefits in order to provide a more secure retirement for working Americans. These changes are small and may simply reflect the normal variations to be expected when conducting surveys over time.

Americans' preferences for strengthening Social Security remain stable. In both studies, trade-off analysis indicates that respondents' preferred package of policy changes to Social Security (Package A) would gradually eliminate the taxable earnings cap, gradually raise the tax rate to 7.2%, raise the minimum benefit for lifetime low-wage workers, and increase the COLA by basing it on inflation experienced by the elderly. Detailed responses to Package A by political party affiliation are newly available in this study and confirm that large majorities of respondents across party lines, as well as across age and income groups, support this package. Moreover, survey responses on individual policy options confirm that, as in 2012, participants support options that would raise revenues for Social Security and increase benefits somewhat. Majorities generally oppose policies that would reduce benefits.

In brief, large majorities value Social Security, don't mind paying for it, and say they are willing to pay more, if necessary, to preserve benefits for future generations.

Conclusions

Americans have a strong preference for strengthening the finances of the Social Security system and are willing to contribute more, if necessary. Respondents clearly want to close the system's financing gap. But rather than doing so in part by reducing benefits, they prefer a package of changes that does not include benefit cuts. Indeed, they prefer targeted benefit improvements, specifically increasing benefits for lifetime low-wage earners and increasing the cost-of-living adjustment (COLA) to better reflect the higher inflation that many older people experience. These preferences underscore the importance that Americans attach to the program.

Americans are aware that Social Security differs from most public programs in being supported by dedicated taxes, and they are willing to contribute more from their earnings if necessary to keep the program strong for the future. In particular, they prefer a funding strategy that strengthens Social Security and eliminates the funding gap by gradually eliminating the cap on earnings subject to Social Security taxes, and by gradually raising the tax rate that workers and employers pay into the system. Majorities of respondents oppose policy options to reduce benefits, and there is strong resistance to reducing the cost-of-living adjustment and raising the full retirement age to 70.

The findings are consistent throughout the different parts of the study. In focus groups, participants were concerned about benefits being too low. In the survey, respondents say they don't mind paying for Social Security and are willing to pay more if necessary. In the trade-off analysis, the preferred package of changes would close Social Security's long-term shortfall by gradually increasing taxes in two ways, and would also increase benefits in two ways.

Americans' widespread willingness to pay more for Social Security shows that they view Social Security as a vital program that provides a measure of economic security for their families, themselves, and their communities. At a time when the nation seems deeply divided about the appropriate size and role of government, it is striking that respondents across political and generational lines not only support Social Security but also agree on specific changes to strengthen it for the future.

Better information could improve public knowledge about and confidence in Social Security. The survey shows that Americans strongly support Social Security but lack confidence in its future — a paradox that has been reflected in other surveys conducted over the past 30-plus years. Notably, the survey also shows that respondents' confidence in the future of Social Security improves significantly when they have access to factual information. For example, after learning that the program's financing gap could be closed by specified increases in revenues, the share of survey participants who think Social Security financing is a crisis or significant problem drops from 70% to 33%, while the share of participants who think it is a manageable problem or

At a time when the nation seems deeply divided about the appropriate size and role of government, it is striking that Americans across political and generational lines not only support Social Security but also agree on specific changes to strengthen it for the future.

not a problem at all rises from 30% to 67%. Similarly, after learning that Social Security as a share of the economy will increase as Boomers retire from just under 5% to about 6.2% in 2035, but will then level off at about 6% for the rest of the next 75 years, nearly two in three of those surveyed conclude that Social Security, as a share of the economy, is affordable. This suggests that systematically improving the quality of information available about Social Security, via a major public education initiative, could markedly improve the public's confidence in the resilience of a system that they want to preserve for future generations.

Methodology

To understand Americans' perspectives on Social Security and their views on possible actions to address the program's long-term financing gap for the future, the National Academy of Social Insurance collaborated with Greenwald & Associates to conduct a multigenerational study. The study included focus groups and an online survey of 2,013 Americans conducted in June 2014. An innovative application of trade-off analysis was used to examine how respondents weighed the appeal or lack of appeal of various packages of Social Security policy changes.

Focus Groups

As a prelude to the survey, Greenwald & Associates convened two focus groups on Social Security. The focus groups were used to refine the survey questionnaire and add depth to the survey findings. One of the focus groups included individuals ages 18-39 with gross personal incomes between $15,000 and $49,999. The second group included older and higher-income individuals, ages 40-64 with gross personal incomes between $50,000 and $124,999. The focus groups explored participants' knowledge of how the Social Security program works, how it has affected them and/or their families, and their opinions about various options to strengthen it. The focus groups were convened in Baltimore, Maryland, on March 31, 2014.

Recruitment for the focus groups excluded individuals with careers (or family members' careers) in the federal government, marketing, public affairs, lobbying, investments, economics, or public relations. All of the nine participants in the younger group were employed full-time. In the older group, nine were employed full-time and one was employed part-time. Participants were recruited to include a mix of educational levels, and no more than two respondents per group had a graduate or professional school degree. Both groups had a mix of political affiliations (Democrats, Republicans, and independents) and a mix of races and ethnicities.

Survey

The survey was conducted online, rather than via telephone interviews, so that respondents could read about the policy options and participate in the deliberative trade-off exercise. The online survey of 2,013 Americans ages 21 and older was conducted from June 12-23, 2014. Respondents were randomly selected from the Research Now consumer panel of nearly 2.2 million individuals in the U.S. Panel members are recruited through a controlled mix of online and other methods to ensure that the panel is representative of the broader population. Quotas by race/ethnicity were used to insure adequate representation from African Americans (225), Asians (150) and Hispanics (250). A large majority of respondents (87%) reported that they are registered voters. Interviews averaged 21 minutes in length.

The first part of the questionnaire explored respondents' knowledge and attitudes about Social Security, their confidence in its future, and the importance of benefits to their incomes now and in the future. The rest of the questionnaire asked whether they would favor or oppose each of 14 specific changes to Social Security, including increasing future taxes, lowering future benefits, or increasing benefits for certain groups. Each policy change included a brief explanation of its effect and an estimate of how it would reduce or increase Social Security's projected long-term financing gap. The survey questionnaire is in Appendix B. Details about the individual policy changes and official estimates of their effects on Social Security's finances are in Appendix E. The survey results were weighted to match data from the March 2013 Current Population Survey by age, gender, education, and work status (full time, part time, or not employed).

Trade-Off Analysis

Trade-off analysis (also known as conjoint analysis) is a technique often used in marketing research to learn which elements of various packages of product features consumers want and are willing to pay for, and to estimate which package is preferred. In this study, trade-off analysis is used to learn which of various packages of Social Security policy changes Americans want and are willing to pay for. The Academy's 2012 study (which this study updates) was the first application of trade-off analysis to assess public opinion about Social Security policy options. The descriptions of the policy changes used official estimates from the Social Security Administration actuaries of how each option would affect the program's financing gap. The trade-off technique identifies the most appealing combination of policy changes of all of the individual changes that were considered.

Study participants completed the trade-off exercise after answering the questionnaire in Appendix B. Twelve policy changes were included in the trade-off exercise.[19] Four changes call for increasing future revenues: two by raising the cap on earnings subject to Social Security taxes and two by raising the Social Security tax rate for all workers. Four changes call for reducing future benefits: two by increasing the age for receiving full retirement benefits, one by means-testing benefits, and one by lowering Social Security's annual cost-of-living adjustment (COLA). Finally, four changes call for increasing benefits. Two increases would target specific groups: lifetime low-wage workers and children of disabled or deceased workers. Two other increases would affect all beneficiaries: increasing the COLA by basing it on inflation experienced by the elderly, and an across-the-board benefit increase. Appendix D contains descriptions of the 12 changes that respondents read as they completed the trade-off exercise, and Appendix E provides technical details on the changes as well as the official estimates by Social Security Administration actuaries of how the changes affect Social Security's finances.

The trade-off exercise design program generated 100 unique screens organized into 10 blocks of 10 screens each. Each respondent was randomly assigned one of the 10 blocks and completed all 10 screens in the block. On each screen, respondents saw three packages or sets of Social Security changes, including an estimate of how much each set would reduce or increase Social Security's financing gap, and a fourth set with no change to the current system. On each of their 10 screens, participants chose the package of policy changes they preferred — one of the three sets of changes or the current system unchanged. Appendix C shows the instructions for completing the screens and three examples of the 100 screens that were used.

Endnotes

1 Walker, Elisa A., Virginia P. Reno, and Thomas N. Bethell. 2014. "Social Security Finances: Findings of the 2014 Social Security Trustees Report." Social Security Brief No. 44. Washington, DC: National Academy of Social Insurance. www.nasi.org/sites/default/files/research/SS_Brief_044.pdf

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4 Social Security Administration. 2014a. "Beneficiary Data: Number of Social Security recipients at the end of Jan 2014." Baltimore, MD: Social Security Administration, Office of the Chief Actuary. http://www.socialsecurity.gov/cgi-bin/currentpay.cgi

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13 Social Security Administration. 2014d. ***Annual Statistical Supplement to the Social Security Bulletin, 2013.*** Washington, DC: Social Security Administration, Office of Research, Evaluation, and Statistics. Table 4.B4.

14 All cost estimates used in this study are based on the projections of the 2013 Social Security Trustees Report, which was the most recent available when the survey fielded in June 2014. Using the projections of the ***2014 Trustees Report***, released in July 2014, Package A closes 107% of the projected long-term shortfall.

15 U.S. Census Bureau. 2014. "2014 Poverty Guidelines." Washington, DC: U.S. Department of Health & Human Services, Census Bureau. http://aspe.hhs.gov/poverty/14poverty.cfm

16 Hertel-Fernandez, Alexander. 2010. "A New Deal for Young Adults: Social Security Benefits for Post-Secondary School Students." ***Social Security Brief No. 33.*** Washington, DC: National Academy of Social Insurance. www.nasi.org/sites/default/files/research/SS_Brief_033.pdf

17 Social Security Administration, 2014d: Table 2.A26.

18 Board of Trustees, 2014: Table VI.G4

19 Two additional policy changes – increasing benefits for the oldest old, and providing caregiver credits – were included in the survey questionnaire but not in the trade-off exercise, due to limitations of space and time.

Appendices:

Appendix A: Additional Figures

Appendix B: Questionnaire

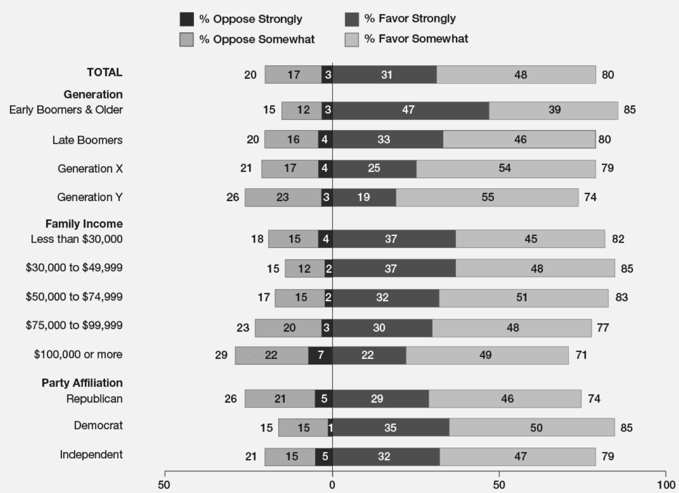
Appendix C: Trade-off Analysis Example

Appendix D: Individual Policy Option Definitions

Appendix E: Detailed Descriptions and Cost Estimates for Policy Options

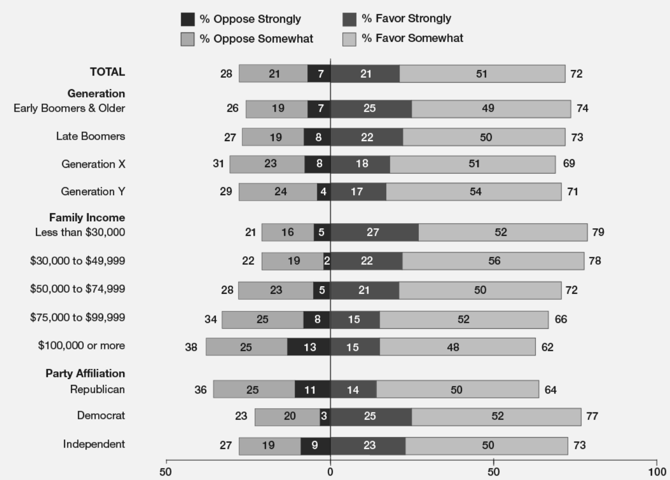
APPENDIX A: Additional Figures

Figure A1. **Increase the COLA to More Fully Protect Seniors against Inflation**



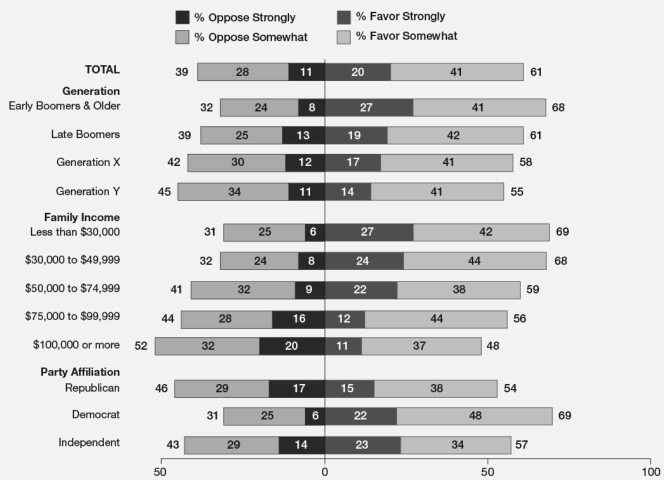
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding

Figure A2. **Increase Social Security's Minimum Benefit**



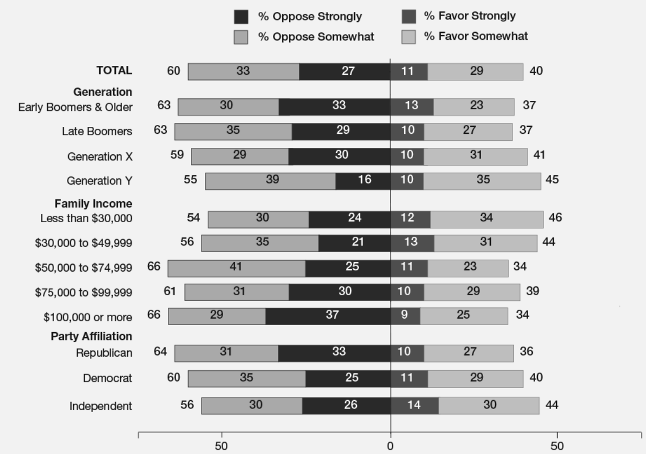
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A3. **Increase Benefits for All Beneficiaries**



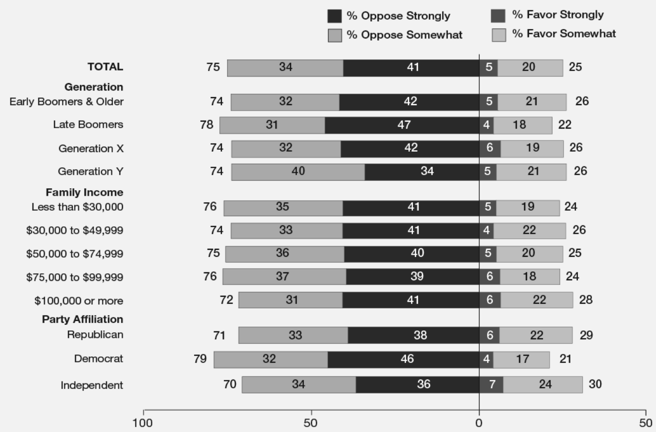
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A4. **Means-Test Social Security**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A5. **Raise the Full Retirement Age to 70**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

APPENDIX B: Questionnaire

1. To start, we need to ask a few questions about you. In what year were you born?

   ____ ____ ____ ____ [TERMINATE IF YOB > 1992.]

2. Are you…
   Male 1
   Female 2

3. Are you Hispanic or Latino?
   Yes 1
   No 2
   Prefer not to say .... **[TERMINATE]** 3

4. Are you… *(Check all that apply.)*
   African American or Black 1
   Asian or Pacific Islander 2
   Native American 3
   White or Caucasian 4
   Other (Please specify.) ____________________ 5
   Prefer not to say .... **[TERMINATE]** 6

5. What is your current marital status?
   Married 1
   Unmarried, living with a partner 2
   Divorced or separated 3
   Widowed 4
   Single, never married 5

6. What level of education have you completed?
   Some high school or less 1
   High school graduate 2
   Some college/trade or technical school 3
   College graduate (4-year degree) 4
   Graduate or professional degree 5

7. Are you currently…?
   Employed for pay full-time 1
   Employed for pay part-time 2
   Not employed for pay 3

8. Do you consider yourself to be retired?
   Yes 1
   No 2

9. How knowledgeable are you about the way the Social Security system works?
   Very knowledgeable 4
   Somewhat knowledgeable 3
   Not too knowledgeable 2
   Not at all knowledgeable 1

10. Overall, is your view of Social Security …?
Very favorable 4
Somewhat favorable 3
Somewhat unfavorable 2
Very unfavorable 1

11. In general, do you think we spend too much, not enough, or about the right amount on Social Security?
Too much 1
Not enough 2
About the right amount..3

12. Please tell me if you agree or disagree with the following statements: **[RANDOMIZE]**

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
a. I think of Social Security as the foundation that I **[IF NOT RETIRED (Q8=2)**: can/**IF RETIRED (Q8=1)**: could**]** build on for my retirement security.	4	3	2	1
b. I **[IF NOT RETIRED**: don't/**IF RETIRED**: didn't**]** mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers.	4	3	2	1
c. I **[IF NOT RETIRED**: don't/**IF RETIRED**: didn't**]** mind paying Social Security taxes because I **[IF NOT RETIRED**: know/**IF RETIRED**: knew**]** I would have to help support my parents, grandparents or other family members if they did not receive Social Security.	4	3	2	1
d. **[IF NOT RETIRED]** I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire. **[IF RETIRED]** I didn't mind paying Social Security taxes because I knew that I would be receiving benefits when I retired.	4	3	2	1
e. To provide a more secure retirement for working Americans, we should consider increasing Social Security benefits.	4	3	2	1
f. Social Security taxes are too high already. We should plan for future benefit cuts rather than raise tax rates further.	4	3	2	1
g. **[IF NOT RETIRED]** I don't know if I'm going to need Social Security when I retire, but I want to know it is there just in case I do need it. **[IF RETIRED]** I didn't know if I would need Social Security when I retired, but I wanted to know it was there just in case I did need it.	4	3	2	1
h. Social Security benefits now are more important than ever to ensure that retirees have a dependable income.	4	3	2	1

13. Some people believe that Social Security benefits do not provide enough income for retirees. Do you agree or disagree?
Strongly agree 4
Somewhat agree 3
Somewhat disagree 2
Strongly disagree 1

14. Are you aware that workers earn disability insurance through Social Security?
Yes, aware 2
No, unaware 1

15. The average Social Security benefit for a disabled worker was $1,146 a month in January 2014. Do you think that amount is ...?
Too high 3
Too low 1
About right 2

16. Are you aware that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die?
Yes, aware 2
No, unaware 1

17. The average Social Security benefit for a child of a worker who died was $815 a month in January 2014. Do you think that amount is …?
Too high 3
Too low 1
About right 2

18. **[IF NOT RETIRED (Q8=2)]** At what age do you plan to retire? *(Please provide your best estimate.)*
___ ___

19. **[IF RETIRED (Q8=1)]** At what age did you retire?
___ ___

20. Are you **[IF MARRIED (Q5=1)**: or your spouse**]** currently receiving Social Security benefits?
Yes, I am 1
[IF MARRIED] Yes, my spouse is 2
[IF MARRIED] Yes, we both are 3
No 4

21. **[IF RESPONDENT RECEIVING BENEFITS (Q20=1,3)]** At what age did you start receiving Social Security benefits? **[SHOW DROP DOWN BOX STARTING AT "UNDER 50", THEN EACH AGE WITH TOP CATEGORY OF "75 OR OLDER".]**
___ ___

22. **[IF SPOUSE RECEIVING BENEFITS (Q20=2,3)]** At what age did your spouse start receiving Social Security benefits? **[SHOW DROP DOWN BOX STARTING AT "UNDER 50", THEN EACH AGE WITH TOP CATEGORY OF "75 OR OLDER".]**
___ ___

23. **[IF RESPONDENT RECEIVING BENEFITS (Q20=1-3)]** How important would you say Social Security benefits are to your monthly income?
Very important 4
Somewhat important 3
Not very important 2
Not at all important....................1

24. **[IF RESPONDENT NOT RECEIVING BENEFITS (Q20=4)]** How important do you think Social Security benefits will be to your monthly income when **[IF NOT RETIRED (Q8=2)**: you retire/**IF RETIRED (Q8=1)**: you begin receiving benefits**]**?
Very important 4
Somewhat important 3
Not very important 2
Not at all important....................1

25. If for some reason you did not receive your Social Security benefits, which of the following statements best describes the effect it would have on your lifestyle **[IF NOT RETIRED AND NOT RECEIVING BENEFITS ADD (Q8=2 & Q20=4)**: in retirement/**IF RETIRED AND NOT RECEIVING BENEFITS ADD (Q8=1 & Q20=4)**: in your later years**]**? **[RANDOMLY REVERSE LIST]**
It would have no effect 4
My budget would be tighter but I would get by 3
I would have to make significant sacrifices 2
I would not be able to afford the basics, such as food, clothing or housing 1

26. How confident are you in the future of the Social Security system?
Very confident 4
Somewhat confident 3
Not very confident 2
Not at all confident....................1

27. **[IF RESPONDENT NOT RECEIVING BENEFITS (Q20=4)]** How confident are you that all of the Social Security benefits you are supposed to get will be available to you when **[IF NOT RETIRED**: you retire/**IF RETIRED**: you begin receiving benefits**]**?
Very confident 4
Somewhat confident 3
Not very confident 2
Not at all confident....................1

28. Would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

29. Social Security is funded by taxes on earnings, with workers paying 6.2% of their earnings and employers paying a matching amount.
If you knew that increasing Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years, would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

30. Please tell me if you agree or disagree with the following statements: **[RANDOMIZE]**

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
a. It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by working Americans.	4	3	2	1
b. It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by top earners.	4	3	2	1

31. Which of the two statements below comes closer to your view? **[RANDOMIZE]**
We should ensure Social Security benefits are not reduced,
even if it means raising taxes on some or all Americans 1
We shouldn't raise taxes on any American, even if it
means reducing Social Security benefits 2

32. Which of the following statements comes closest to what you believe Social Security provides to retirees? **[RANDOMLY REVERSE LIST]**
Less income than is needed for the basic necessities of life 1
About what is needed for the basic necessities of life 2
More than is needed for the basic necessities of life, but not enough
to maintain their pre-retirement standard of living...3
Enough to maintain their pre-retirement standard of living 4

33. Which of the following statements comes closest to what you believe Social Security *should* provide to retirees? **[RANDOMLY REVERSE LIST]**
Less income than is needed for the basic necessities of life 1
About what is needed for the basic necessities of life 2
More than is needed for the basic necessities of life, but not enough
to maintain their pre-retirement standard of living...3
Enough to maintain their pre-retirement standard of living 4

34. Official Social Security Administration projections show that the Social Security system has enough money to pay all benefits until the year 2033. If no changes are made to the program, which one of the following do you think would be most likely to happen after 2033?
Social Security would be able to pay 100% of benefits 1
Social Security would be able to pay 75% of benefits 2
Social Security would be able to pay 50% of benefits 3
Social Security would be able to pay 25% of benefits 4
Social Security would be unable to pay benefits at all 5

35. Social Security benefit payments currently account for about 5% of the United States economy. As the baby boomers retire, Social Security's share of the economy will increase, reaching 6.2% by 2035, when all of the baby boomers will be retired. Then it will drop back to about 6% and will stay at that level. Some people say this means that as a nation we can afford Social Security. Do you agree or disagree?
Strongly agree 4
Somewhat agree 3
Somewhat disagree 2
Strongly disagree 1

Policy Changes:

Social Security benefits are modest – the average retirement benefit in January 2014 was just $1,296 per month. Some people believe that Social Security benefits are not as high as they should be to protect the financial security of retired Americans. Proposals have been put forth to improve benefits for all or some workers. However, Social Security faces a long-term financing gap. Improvements to benefits would increase the financing gap, so they would have to be paid for by increasing Social Security's revenues. We're interested in getting your reaction to some of these proposals. The next 4 proposals would increase benefits.

Increase Benefits for Lifetime Low-Wage Workers

36. Social Security benefits are based on the amount of money a worker earns. Currently, men and women who work all their lives at very low wages (for example, full-time at the minimum wage) are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked.

One proposal would raise the minimum Social Security benefit to ensure that someone who works and pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is about $11,670 a year, or $970 a month, for one person.)

This change would increase Social Security's financing gap by 9%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Increase Benefits for All Beneficiaries

37. Social Security benefits are modest. The average retirement benefit in January 2014 was just $1,296 per month. One proposal would increase Social Security benefits by $65 per month for all beneficiaries.

This change would increase the financing gap by 29%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Extend Children's Benefits

38. Social Security pays benefits to children whose working parents have died or become disabled. Benefits are paid until the age of 18, or 19 if still in high school. In the past, these benefits would continue until age 22 if the child was attending college or vocational school. One proposal would restore those benefits. This would help children in families that have lost a breadwinner's income to complete their education.

    This change would increase the financing gap by 3%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

Increase Social Security's Cost-of-Living Adjustment (COLA)

39. The purpose of Social Security's annual Cost-of-Living Adjustment (COLA) is to increase benefits to keep up with inflation. The Social Security Administration pays a COLA when the average cost of living increases.

    One proposal would increase the COLA by basing it specifically on the inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation.

    Example: If average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA measure for the elderly would increase a $1,000 monthly benefit by $32 instead of by $30.

    This change would more fully protect seniors against inflation. It would increase Social Security's financing gap by 14%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

40. Some other ideas have been suggested for strengthening Social Security benefits. Do you favor or oppose each of the following proposals?

	Favor Strongly	Favor Somewhat	Oppose Somewhat	Oppose Strongly
a. When a working parent leaves the workforce for a period of time to care for children, count the unpaid time toward the parent's future Social Security benefits so benefits are not reduced because of this gap in paid work. This would increase the financing gap by 8%.	4	3	2	1
b. Increase benefits by $65 per month for recipients over the age of 85 because they generally depend more heavily on Social Security. This would increase the financing gap by 4%.	4	3	2	1

As stated earlier, Social Security currently faces a projected long-term revenue shortfall. It has enough income to cover 100% of benefits until 2033. After that point, if Congress fails to act, the system will only be able to pay about 75% of benefits. Several proposals have been suggested to help close the financing gap, either by increasing revenues that go into the Social Security system or cutting Social Security benefits. We are interested in getting your reaction to some of these proposals. The next 4 proposals would raise revenues for Social Security, and the 4 after that would reduce benefits.

Increase Social Security's Taxable Earnings Cap

41. Currently, annual earnings above $117,000 are not taxed for Social Security. About 6% of workers earn more than that amount. Congress originally set the cap to cover 90% of all earnings by American workers. Currently, the cap covers only about 83% of all earnings.

    One proposal is to gradually lift the earnings cap over 5 years until it once again covers 90% of all earnings by American workers (this would raise the cap to about $230,000).The top 6% of earners would pay somewhat more into Social Security, and in return they would get somewhat higher benefits. This change would reduce Social Security's financing gap by 29%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

42. Another proposal would gradually eliminate the earnings cap (currently $117,000) over 10 years. The top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as other workers do. In return, they would get somewhat higher benefits. This change would reduce the financing gap by 74%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

Increase Social Security's Tax Rate

43. Workers currently pay 6.2% of their earnings to Social Security, matched by the employer. One proposal would raise the Social Security tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each.

    Example: For a worker earning $50,000, this would mean an increase each year of 50 cents per week, matched by the employer.

    This change would reduce the financing gap by 52%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

44. Another proposal would raise the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052.

    Example: For a worker earning $50,000, each change would mean an increase of $9.60 per week, matched by the employer.

    This change would reduce the financing gap by 76%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

The next 4 proposals would reduce benefits.

Reduce Social Security's Cost-of-Living Adjustment (COLA)

45. The purpose of Social Security's annual Cost-of-Living Adjustment (COLA) is to increase benefits to keep up with inflation. One proposal would lower the COLA by using a new measure of inflation that generally rises more slowly than the current measure.

    Example: If average inflation from one year to the next is 3%, but the new inflation measure went up by only 2.7%, that new measure would increase a $1,000 monthly benefit by $27 instead of $30.

    Benefit cuts add up over time, so the oldest seniors would experience the largest cuts. This benefit cut would add up to about 6.5% by the time a retiree reaches age 85.

    This change would reduce seniors' protection against inflation. It would reduce the financing gap by 20%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

Increase Social Security's Full Retirement Age

46. Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can collect Social Security benefits before their full retirement age, starting at age 62, but benefits are reduced. Increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase in the retirement age from 65 to 67 is a 13% benefit cut. Further increasing the full retirement age is an additional benefit cut.

    Some people favor increasing the retirement age because Americans are living longer. Others point out that this is not true for everyone. Mostly it's higher-income people who are living longer.

    One proposal is to gradually raise the full retirement age to 68. That would be an additional 7% benefit cut on top of the 13% cut from 65 to 67. This change would reduce the financing gap by 16%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

47. Another proposal would very gradually raise the full retirement age to 70. This change would be an additional benefit cut of about 21% on top of the change from 65 to 67. It would reduce the financing gap by 25%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Means-Test Social Security

48. "Means-testing" would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Benefits would be reduced for individuals with non-Social Security annual income higher than $55,000 ($110,000 for couples). Benefits would be eliminated for individuals with non-Social Security income higher than $110,000 ($165,000 for couples). Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes.

This change might reduce the financing gap by 20%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

49. The following set of changes would close 100 percent of Social Security's financing gap and pay for benefit improvements:
- Over 10 years, gradually eliminate the cap on earnings that are taxed for Social Security so that the highest 6% of earners pay in throughout the year, as other workers do. Those top earners would also get somewhat higher benefits;
- Over 20 years, gradually raise the 6.2% rate that workers and employers each pay to 7.2%. Someone making $50,000 would pay about 50 cents a week more each year;
- Raise the minimum benefit so that anyone who paid in to Social Security for 30 years can retire on Social Security and not be poor;
- Increase Social Security's cost-of-living adjustment (COLA) to more accurately reflect the inflation experienced by seniors.

Would you favor or oppose this set of changes to improve and pay for Social Security benefits?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

[INSERT CONJOINT HERE]

50. Now that you have considered the policy options that are available, would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

51. How difficult do you think it is to fix Social Security's funding gap? **[RANDOMLY REVERSE LIST]**
Very difficult 4
Somewhat difficult 3
Not too difficult 2
Not at all difficult 1

52. Are you a registered voter?
Yes 1
No 2

53. Do you consider yourself a Democrat, a Republican, or an independent?
Democrat 1
Republican 2
Independent 3
Other 4

54. What is your ZIP code?

55. How would you rate your health?
Excellent 5
Very good 4
Good 3
Fair 2
Poor 1

56. Do you currently have health insurance coverage?
Yes 1
No 2

57. What is your total annual family income before taxes?
Under $25,000 1
$25,000 to $29,999 2
$30,000 to $34,999 3
$35,000 to $49,999 4
$50,000 to $74,999 5
$75,000 to $99,999 6
$100,000 to $149,999 7
$150,000 or more 8
Prefer not to say 9

58. In total, about how much money would you say you (and your spouse) currently have in savings and investments, not including the value of your primary residence? Please include all savings and investments, including 401(k), 403(b), and 457 plans and IRAs, but not the value of your home.
Less than $10,000 1
$10,000 to $24,999 2
$25,000 to $49,999 3
$50,000 to $99,999 4
$100,000 to $149,999 5
$150,000 to $249,999 6
$250,000 to $499,999 7
$500,000 or more 8
Prefer not to say 9

APPENDIX C: Trade-off Exercise Example

A trade-off exercise module further explored which changes in the Social Security system respondents favor and are willing to pay for. Rather than having each change rated individually in isolation, this module required participants to specify their preference from a variety of different packages (sets) of changes. The results indicate which specific changes are most favorable and which are least favorable.

After study participants had provided favorability ratings for each of the proposed changes to the current Social Security system ***individually***, they were asked to complete the trade-off exercise. The instructions given were as follows:

You will now see a series of 10 screens. Each screen will have 3 different sets of Social Security policy changes, plus a 4th set that has no changes to the current system. The last line of each set shows how much that combination of changes would reduce (or increase) Social Security's long-term financing gap. For example:

- A negative 80% means the set of changes would ***reduce*** the financing gap by 80%.
- A negative 120% means the set of changes would eliminate the financing gap, and have 20% left over (for example, to improve benefits or provide a margin of safety in future financing).
- A positive 10% means the set of changes would ***increase*** Social Security's financing gap by 10%.

Please assume that the policy changes presented are the only changes being made to Social Security for that set. All other Social Security features will remain the same.

Here is a link to a definition guide that contains further explanations and examples of the options you will see. Please review this guide before moving to the next screen, and keep it open for reference going forward. Each screen will also contain 'hover definitions' that will appear when you move your cursor over the different elements on the screen. These provide a quick reference in addition to the larger definitions guide.

Once you have compared the sets on each screen, including the set with no change to the current system, please select the set that is most appealing to you. You will not be able to move backward once you have finished a screen.

Sample Trade-Off Grids:

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	*Policy Change #2*	*Policy Change #3*	*No Change*
SOCIAL SECURITY'S TAXABLE EARNINGS CAP	No Change	Gradually eliminate the cap over 10 years to cover all earnings	Gradually lift the cap over 5 years to cover 90% of earnings	
SOCIAL SECURITY TAX RATE	Raise the tax for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	I prefer the current system.
BENEFITS FOR LIFETIME LOW-WAGE WORKERS	No Change	Raise the minimum benefit so 30-year workers can retire and not be poor	No Change	
SOCIAL SECURITY'S COST-OF-LIVING ADJUSTMENT (COLA)	No Change	Increase the COLA by basing it on inflation for the elderly	Lower the COLA by basing it on a different inflation measure	
CHANGES FINANCING GAP BY:	-76%	-113%	-49%	0%
Which do you most prefer	O	O	O	O

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	*Policy Change #2*	*Policy Change #3*	*No Change*
SOCIAL SECURITY TAX RATE	Raise the tax rate for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	I prefer the current system.
BENEFITS FOR CHILDREN	Restore student benefits until age 22 for children whose working parents have died or become disabled	No Change	Restore student benefits until age 22 for children whose working parents have died or become disabled	
BENEFITS FOR ALL BENEFICIARIES	Increase benefits by $65 per month for all beneficiaries	Increase benefits by $65 per month for all beneficiaries	No Change	
BENEFITS FOR LIFETIME LOW-WAGE WORKERS	Raise the minimum benefit so 30-year workers can retire and not be poor	No Change	Raise the minimum benefit so 30-year workers can retire and not be poor	
CHANGES FINANCING GAP BY:	-35%	-23%	+12%	0%
Which do you most prefer?	O	O	O	O

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	*Policy Change #2*	*Policy Change #3*	*No Change*
SOCIAL SECURITY'S TAXABLE EARNINGS CAP	Gradually lift the cap over 5 years to cover 90% of earnings	Gradually eliminate the cap over 10 years to cover all earnings	No Change	I prefer the current system.
SOCIAL SECURITY TAX RATE	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	Raise the tax rate for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	
SOCIAL SECURITY'S FULL RETIREMENT AGE	Gradually raise the full retirement age to 68	Gradually raise the full retirement age to 70	No Change	
MEANS TESTING SOCIAL SECURITY	Require people to prove they are eligible for benefits, based on their income, in order to receive them	No Change	Require people to prove they are eligible for benefits, based on their income, in order to receive them	
CHANGES FINANCING GAP BY:	-122%	-99%	-96%	0%
Which do you most prefer?	O	O	O	O

APPENDIX D: Policy Option Definitions

Financing gap: Social Security currently faces a projected long-term revenue shortfall. Social Security's trust fund reserves plus the revenues being collected to finance Social Security benefits will cover 100% of benefits until 2033. Then, if Congress fails to act, the trust fund reserves will be used up and the revenue continuing to come in from payroll taxes will cover only about 75% of the benefits that recipients expect to receive. There are many ways to close the financing gap.

Each set of changes indicates how much it would reduce (or increase) Social Security's long-term financing gap. For example:

- A negative 80% means the set of changes would *reduce* the financing gap by 80%.
- A negative 120% means the set of changes would eliminate the financing gap, and have 20% left over (for example, to improve benefits or provide a margin of safety in future financing).
- A positive 10% means the set of changes would *increase* Social Security's financing gap by 10%.

Social Security Tax Rate: Workers currently pay 6.2% of their earnings to Social Security, matched by the employer.

Option 1: Raise the Social Security tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each.

- For a worker earning $50,000, this would mean an increase each year of 50 cents per week, matched by the employer.
- This change reduces the financing gap by 52%.

Option 2: Raise the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052.

- For a worker earning $50,000, each change would mean an increase of $9.60 per week, matched by the employer.
- This change reduces the financing gap by 76%.

Social Security's Taxable Earnings Cap: Currently, annual earnings above $117,000 are not taxed for Social Security. About 6% of workers earn more than that amount. Congress originally set the cap to cover 90% of all earnings by American workers. Currently, the cap covers only about 83% of all earnings.

Option 1: Gradually lift the earnings cap over 5 years until it once again covers 90% of all earnings by American workers (this would raise the earnings cap to about $230,000).

- The top 6% of earners would pay somewhat more into Social Security, and in return they would get somewhat higher benefits.
- This change reduces the financing gap by 29%.

Option 2: Gradually eliminate the earnings cap over 10 years.

- The top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as other workers do. In return, they would get somewhat higher benefits.
- This change reduces the financing gap by 74%.

Benefits for Lifetime Low-Wage Workers: Social Security benefits are based on the amount of money a worker earns. Currently, men and women who work all their lives at very low wages (for example, full-time at the minimum wage) are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked.

Option: Raise the minimum Social Security benefit to ensure that someone who works and pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is about $11,670 a year, or $970 a month, for one person.)

- Does not affect most workers, whose benefits exceed this minimum adequacy level.
- This change increases the financing gap by 9%.

Children's Benefits: Social Security pays benefits to children whose working parents have died or become disabled. Benefits are paid until the age of 18, or 19 if still in high school. In the past, these benefits would continue until age 22 if the child was attending college or vocational school.

Option: Restore the student benefit until age 22.

- Helps children in families that have lost a breadwinner's income to complete their education.
- This change increases the financing gap by 3%.

Benefits for All Beneficiaries: Social Security benefits are modest. The average retirement benefit in January 2014 was just $1,296 per month.

Option: Increase Social Security benefits by about $65 per month for all beneficiaries.

- This change increases the financing gap by 29%.

Social Security's Cost-of-Living Adjustment (COLA): The purpose of Social Security's COLA is to increase benefits to keep up with inflation. The Social Security Administration pays a COLA when the cost of living increases.

Option 1: Increase the COLA by basing it specifically on the inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation.

- If average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA measure for the elderly would increase a $1,000 monthly benefit by $32 instead of $30.
- More fully protects seniors against inflation.
- This change increases the financing gap by 14%.

Option 2: Lower the COLA by using a new measure of inflation that generally rises more slowly than the current measure.

- If average inflation from one year to the next is 3%, but the new inflation measure went up by only 2.7%, that new measure would increase a $1,000 monthly benefit by $27 instead of $30.
- Reduces seniors' protection against inflation. Benefit cuts add up over time, so the oldest seniors experience the largest cuts. This benefit cut would add up to about 6.5% by the time a retiree reaches age 85.
- This change reduces the financing gap by 20%.

Social Security's Full Retirement Age: Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can collect Social Security benefits before their full retirement age, starting at age 62, but benefits are reduced. Increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase in the retirement age from age 65 to 67 is a 13% benefit cut. Further increasing the full retirement age is an additional benefit cut.

Some people favor increasing the retirement age because Americans are living longer. Others point out that this is not true for everyone. Mostly it's higher-income people who are living longer.

Option 1: Gradually raise the full retirement age to 68.

- Starting in 2023, increase the full retirement age until it reaches 68 in 2028.
- Reduces benefits about 7% on top of the 13% cut from 65 to 67.
- This change reduces the financing gap by 16%

Option 2: Very gradually raise the retirement age to 70.

- Starting in 2023, increase the full retirement age until it reaches 70 in 2069.
- Reduces benefits about 21% on top of the change from 65 to 67.
- This change reduces the financing gap by 25%.

Means-Testing Social Security: "Means-testing" would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes.

Option: Means-test Social Security benefits.

- Reduces Social Security benefits for individuals with non-Social Security income higher than $55,000 ($110,000 for couples).
- Eliminates Social Security benefits for individuals with non-Social Security income higher than $110,000 ($165,000 for couples).
- This change reduces the financing gap by about 20%.

APPENDIX E: Detailed Descriptions and Cost Estimates for Policy Options

This appendix provides documentation of the 14 policy options used in the study and the estimates of their financial effects. The cost estimates were prepared by the Office of the Chief Actuary of the Social Security Administration (SSA) and are among those published on the SSA website.[1]

Social Security's Actuarial Balance

The actuarial balance of the Social Security program is a summary measure of the program's financial status over the next 75 years. It is calculated as the program's starting reserves plus its projected income minus its projected outgo over the next 75 years, expressed as a percentage of taxable payroll over the 75-year period. Taxable payroll includes all U.S. wages, salaries, and self-employment income that are subject to Social Security taxes, up to the taxable earnings cap of $117,000 in 2014. The actuarial balance at the time the survey fielded was -2.72% of taxable payroll, according to the 2013 Social Security Trustees Report.[2] It is a negative number because income is projected to fall short of outgo and thus produce an actuarial deficit, or "financing gap," of 2.72% of taxable payroll.

Effect of Individual Policy Options

The SSA actuaries also estimate the effects of individual policy options as a percentage of taxable payroll. These estimates show how any particular policy change would affect the program's actuarial balance. Any option that raises revenue or lowers outgo would have a positive effect on the actuarial balance and, thus, reduce or eliminate the deficit. Any option that increases benefits or reduces revenue would have a negative impact on the actuarial balance and, thus, increase the deficit. Unless otherwise noted, the cost estimates shown in this appendix were drawn from the website of the Office of the Chief Actuary in May 2014 and are based on assumptions in the 2013 Trustees Report.

In Table E, figures in column (B) are the actuarial estimates of the impact of each individual policy option on the actuarial balance. Positive numbers indicate that the policy would reduce or eliminate the negative actuarial balance, or deficit. Negative numbers indicate that that the policy would increase the deficit. Column (C) indicates where the specific option was found on the website of the Social Security actuaries.

Column (A) shows how the figures in column (B) would change the actuarial deficit of 2.72% of taxable payroll. For example, the first option, which improves the actuarial balance by 2.00% of taxable payroll, would reduce the deficit by 74% (2.00/2.72 = 74%). Figures in column (A) are used to describe the financial effects of the options described in this report. These figures were provided to respondents in the trade-off exercise and the questionnaire, and are also shown in Table 8 of the report.

Combinations of Policy Options

Certain combinations of the individual options produce *interaction effects*, meaning that if the two options were implemented together, their total effect would differ from the simple sum of the two changes individually. For example, when considering a tax rate increase in combination with broadening the tax base, the impact is greater than the sum of the two individual changes due to the interaction effect. The estimates used in the study take account of the interaction among Options 1 through 4, which affect the tax rate and tax base. These combinations are shown at the bottom of Table E. For example, Option 1 (phasing out the taxable earnings cap) and Option 3 (gradually raising the tax rate) combined are estimated to close 136% of the financing gap – slightly more than the sum of the two changes individually, which would be 126%.

Table E. **Policy Options and Estimates of Financial Impact Used in the Study**

Description of Policy Options	*Percent change in 2.72% financing gap[2] (A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Social Security's Taxable Earnings Cap			
(1) Eliminate the taxable earnings cap, phased in over 10 years between 2015 and 2024. Provide benefit credit for earnings above the current tax cap at a lower rate: 5% above the current cap, and 0.25% above 90% of covered earnings. Phase in both the tax rate and the benefit credit for earnings at a proportional rate over 10 years.	-74%	2.00	[3]
(2) Lift the taxable earnings cap so that 90% of earnings would be covered, phased in over 5 years between 2015 and 2020. Provide benefit credit for earnings up to the revised tax cap.	-29%	0.78	E3.3
Social Security Tax Rate			
(3) Increase the 6.2% payroll tax that employees and employers each pay by 1/20th of 1% per year over 20 years (2019-2038), until it reaches 7.2% in 2038 and later.	-52%	1.42	E1.4
(4) Increase the payroll tax rate (for employers and employees each) to 7.2% in 2022 and to 8.2% in 2052.	-76%	2.06	[4]
Social Security's Full Retirement Age			
(5) After the full retirement age (FRA) reaches 67 for those age 62 in 2022, increase the FRA by 2 months every year until the FRA reaches 68 in 2028.	-16%	0.43	C1.2
(6) After the full retirement age (FRA) reaches 67 for those age 62 in 2022, increase the FRA by less than 1 month (36/47 of a month) per year, until the FRA reaches 70 in approximately 2050.	-25%	0.69	C2.4[5]
Means-Test Social Security			
(7) Reduce or eliminate Social Security benefits by offsetting the benefit against the individual's other (non-Social Security) income. One such plan would phase out benefits for people with non-Social Security income between $55,000 and $110,000 a year for individuals (and between $110,000 and $165,000 for couples).	-20%	0.54	[6]
Children's Benefits for Students			
(8) Beginning in 2014, continue benefits for children of disabled or deceased workers until age 22 if the child is in high school, college, or vocational school.	+3%	-0.07	D1

Table E. **Policy Options and Estimates of Financial Impact Used in the Study** (continued)

Description of Policy Options	*Percent change in 2.72% financing gap[2] (A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Benefits for All Beneficiaries			
(9) Beginning in 2014, increase benefits by a uniform dollar amount for all beneficiaries and for all newly-eligible beneficiaries after 2014. The dollar amount of the increase equals a uniform 5% of the average retired worker monthly benefit amount in the prior year. The increase would be approximately $65 a month in 2014.	+29%	-0.78	B7.5
Benefits for Lifetime Low-Wage Workers			
(10) Beginning in 2014, reconfigure the special minimum benefit so that the primary insurance amount (PIA)[7] for 30 years of coverage (YOC) is equal to 125% of the monthly poverty level (about $1,164 in 2012). For those with less than 30 YOC, the PIA for each YOC after 10 is $58.20 (or $1,164/20). Index these initial PIA amounts by wage growth. The change would apply to all new and current beneficiaries beginning in 2015.	+9%	-0.25	[8]
Social Security's Cost-of-Living Adjustment (COLA)			
(11) Beginning in December 2015, compute the COLA using the Consumer Price Index for the Elderly (CPI-E). This would *increase* the annual COLA by about 0.2 percentage points, on average.	+14%	-0.37	A6
(12) Beginning in December 2012, compute the COLA using the chained CPI-W. This would *reduce* the annual COLA by about 0.3 percentage points, on average.	-20%	0.52	A3
Caregiver Credit			
(13) Give earnings credits to parents with a child under age 6 for up to 5 years. The earnings credited for childcare equal half of the Social Security average wage index (about $21,858 in 2012). If the parent earned less than the credit, Social Security wage credits would be increased up to the childcare credit level. The credits are available for past years to newly eligible retired-worker and disabled-worker beneficiaries starting in 2014. The 5 years are chosen to yield the largest increase in average indexed monthly earnings.	+8%	-0.22	B7.3

Table E. **Policy Options and Estimates of Financial Impact Used in the Study** (continued)

Description of Policy Options	*Percent change in 2.72% financing gap*[2] *(A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Benefits for the Oldest Old (85+)			
(14) Beginning in 2014, increase the monthly benefit amount of any beneficiary who is (or turns) 85 or older. The dollar amount of the increase equals a uniform 5% of the average retired worker monthly benefit amount in the prior year. The increase would be approximately $65 in 2014 (5% of the average retired worker benefit of $1,294 in December 2013).	+4%	-0.10	B6.2
Combinations of Options			
Options (1) and (3)	-136%	3.70	9
Options (1) and (4)	-164%	4.47	9
Options (2) and (3)	-86%	2.33	9
Options (2) and (4)	-111%	3.03	9

Source: National Academy of Social Insurance based on information in notes on Appendix E.

Notes on Appendix E:

1. Unless otherwise noted, the cost estimates and descriptions of the options are from SSA's website: http://www.ssa.gov/OACT/solvency/provisions/index.html

2. All estimates in this study use the 2.72% actuarial deficit projected in the 2013 Social Security Trustees Report, which was the latest available at the time the survey fielded. The actuarial deficit in the 2014 Social Security Trustees Report (released in July 2014) is 2.88%.

3. This option is a modification of option E2.10 on SSA's website, which would provide benefit credit for all earnings above the tax cap at a 5% rate. The cost estimate for this modified option was obtained via personal communication from Stephen C. Goss, Chief Actuary, in May 2014.

4. This estimate was produced in 2009 and cited in the Academy's report *Fixing Social Security: Adequate Benefits, Adequate Financing* (2009). SSA has since revised this proposal to the following: 7.6% in 2026 and 9.0% in 2056. The revised proposal (which is option E1.2 on SSA's website) brings in revenue of 2.93% of taxable payroll, or 108% of the financing gap.

5. This option on SSA's website also includes increasing the earliest eligibility age (EEA) to age 65. Since the EEA is actuarially neutral, the cost estimate does not change significantly by eliminating that part of the option.

6. SSA has not produced an estimate for direct means-testing. The cost estimate shown here is a rough estimate, extrapolated from a Heritage Foundation plan that included means-testing (see Butler et al., *Saving the American Dream: The Heritage Plan to Fix the Debt, Cut Spending, and Restore Prosperity,* The Heritage Foundation, Washington, DC, 2011).

7. PIA, or Primary Insurance Amount, is an individual's basic monthly benefit amount before adjusting for age of claiming.

8. This option is a modification of option B5.2 on SSA's website, which would apply to all new beneficiaries (but not current beneficiaries already receiving benefits) beginning in 2015. The cost estimate for this modified option was obtained via personal communication from Stephen C. Goss, Chief Actuary, in March 2014.

9. National Academy of Social Insurance calculations based on the cost estimates in this table.

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Chairman LARSON. And I submit that for the record because, you know, what we find is that people have come to favor Social Security in this manner. A majority of the public does not mind paying for Social Security because it provides security and stability to millions of retired, disabled individuals, children and widows, spouses of deceased workers. And, according to the National Academy of Social Insurance, it is favored by Republicans by 72 percent, by independents by 81 and by Democrats by 87 percent. A majority of the public favors a proposal to increase Social Security benefits, including the Committee to Preserve Social Security and Medicare, Republicans by 66 percent, Independents by 70 percent and Democrats by 84 percent.

Americans are willing to pay a little bit more to strengthen Social Security. With the Social Security 2100 Act, the average working American would only have to pay about 50 cents a week to make sure that Social Security is solvent beyond 75 years, provides a 2 percent overall increase for everyone, makes sure that no woman can retire into poverty or no working person can, to make sure that we have a COLA that actually reflects the real costs that the elderly incur, and to make sure that there is a tax cut—a tax cut—for more than 12 million Americans who, because in 1983, the last time that we did anything significant with the program of Social Security was the last time that we altered this program in any significant or meaningful way.

But by moving Social Security for the individual from being taxed on $24,000 if you are an individual and $32,000 if you are a married couple, by moving that to $50,000 and $100,000, 12 million Americans will receive an immediate tax cut. And so we are here today again to talk about the need to expand the benefits and what great benefits that Social Security provides.

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

[The statement of Chairman Larson follows:]

WAYS & MEANS COMMITTEE
CHAIRMAN RICHARD NEAL

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LARSON OPENING STATEMENT AT SUBCOMMITTEE HEARING ON PROTECTING AND IMPROVING SOCIAL SECURITY: BENEFIT ENHANCEMENTS

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Mar 13, 2019 | Press Release

(As prepared for delivery)

Good afternoon, and welcome to our witnesses and audience members.

Today is the second hearing in a series on protecting and improving Social Security.

Yesterday, we focused on the importance of Social Security and how it provides the middle class with economic security.

Today, the focus is on how we can strengthen Social Security through benefit enhancements to meet the needs of today's beneficiaries and future generations.

Social Security benefits are an essential lifeline for millions of Americans.

Without Social Security, 43 percent of older women would be living in poverty.

And as we heard yesterday from Maya Rockeymoore Cummings, a small business owner, Social Security "provides not only a safety net, but it is actually a boon to entrepreneurship and is a boon to business formation in this country."

Entrepreneurs are able to take risks because they know Social Security is there.

That's why we need to act and strengthen Social Security benefits. Because even with Social Security, seniors are struggling.

According to a study done by economists at the Federal Reserve, savings from private retirement plans are concentrated in the top 25 percent of the population.

So in other words, the data shows that 75 percent of Americans are on average, not saving enough retirement income through private plans.

After the Great Recession 10 years ago, many saw their retirement savings wiped out, and according to economists at the Federal Reserve on average, 90 percent of households have not regained the wealth they lost in the recession, but Social Security remains there for them.

Social Security is the working person's retirement guarantee.

The Social Security 2100 Act will strengthen this guarantee and allow seniors to retire with dignity, by providing real benefits for them.

It establishes a minimum benefit for Social Security that is 125 percent above the poverty level, ensuring no one who has worked their whole life will be able to retire into poverty.

It also takes into account seniors' actual needs when it comes to Cost of Living Adjustments (COLA). The Social Security 2100 Act implements a COLA that is endorsed by the AARP, known as the CPI-E, "E" standing for elderly.

This COLA would consider the cost of prescription drugs, food, heating, and more, giving seniors a COLA that makes sense for their costs.

Beneficiaries will also receive an across-the-board two-percent benefit increase, giving them a modest, but necessary boost.

At yesterday's hearing there was a lot of talk about people wanting to strengthen Social Security, but little substance about what they meant by that.

We are holding public hearings so that we can shine a bright light on all proposals to improve Social Security to see what will help the American people.

I want to thank Congressman Tom Rice, for acknowledging Chairman Johnson's plan yesterday. We never held a hearing on it but, I wish we had, because I think that's exactly what we need to do, is hold up a bright light on all of these proposals. I don't think it will surprise many that Mr. Johnson's bill cuts benefits by 30 percent for a median earner retiring at age 65, and that's how it achieves solvency.

I don't think that's where we want to go or even if the Republicans on this committee want to go there.

Our solution on the other hand, the Social Security 2100 Act, would boost benefits and reaches solvency, and does so by a modest premium increase.

I would like to remind people that there has been serious polling done on this:

A majority of the public doesn't "mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, children and widowed spouses of deceased workers," according the National Academy of Social Insurance.
• Republicans - 72 percent agree
• Independents – 81 percent agree
• Democrats – 87 percent agree

A majority of the public favors a proposal to "increase Social Security benefits," according National Committee to Preserve Social Security & Medicare.
• Republicans – 66 percent favor
• Independents – 70 percent favor
• Democrats – 84 percent favor

Americans are willing to pay a little bit more to strengthen Social Security.

With the Social Security 2100 Act, the average working American would only have to pay 50 cents per week more each year. This is a doable solution!

The American public is clear: they prefer benefit protection and improvement.

And now the Republican Leader, Tom Reed.

###

Subcommittees:
Social Security (116th Congress)

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Mr. REED. Well, thank you, Mr. Chairman. And to the witnesses, I welcome you. And I apologize for being tied up on the Floor with that vote.

And, Mr. Chairman, I really do appreciate this second hearing today on Social Security. As we indicated yesterday, I am happy to join you on this issue that is so important to so many Americans that face the issue of Social Security insolvency in 2034. And this is an important topic and I am glad to see that we are focusing on this topic as opposed to some of those on the other side that are focused on the issue of impeachment and other issues of the President.

Mr. Chairman, as I mentioned yesterday, and I shared with you and to those in this chamber the story of my mother, a widow raising 12 kids all by herself, who relied on Social Security, a military retirement benefit and a life insurance benefit, and recognizing those three legs of the stool, if you would, that were able to keep our family intact and brought a lot of security to our family in regards to knowing that we would have a roof over our heads and food on the table.

And so we share the commitment to Social Security, I share the commitment, and I know my colleagues on this dais share the commitment to work with you and with our Democratic colleagues to achieve reform in Social Security that is going to ensure that Social Security is here, not only today, tomorrow, but for generations to come.

And as I stated yesterday, the principles and the mission that we start this conversation with are clear. And because of their importance, I will state them again today. The mission of the Republicans on this subcommittee is to secure Social Security benefits without tax increases. The principles are simple. They are known as LEAP, the 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 focused reforms.

One of our principles is very much at the heart of today's hearing, protecting the most vulnerable people through focused reforms. As we heard in the story of my mother, she was a worker who held many jobs. And this is true for many people. Just yesterday, I heard from a constituent who retired but still wanted to work part time after claiming his earned Social Security benefits. However, this constituent had not reached his full retirement age. So that means those benefits are reduced if he earns too much. That is wrong and it does not reward work or help seniors who are trying to transition into retirement.

As Mr. Biggs and others will testify, widows who have worked and earned their own Social Security benefits face a potentially devastating reduction in the household Social Security benefits upon the death of a spouse. That also does not reward work and it puts widows who have worked their entire lives at risk of poverty.

And Chairman Larson's plan, Former Chairman Johnson's plan, as well as many others, seek to make sure that the long career low-wage worker has a minimum benefit that actually means something, because that is the right thing to do after years of hard work.

These are just a few of the examples I hope we can talk about today. As all of our witnesses will share in their stories, Social Security does not always work well for workers and their families today. That is because much of the program we know today as Social Security was designed in the late 1930s. A lot has changed since then.

Today, more women are working, people start their families later and, in some cases, they are living longer. It is time to take a hard look, figure out what is working, what is not and then come together to find bipartisan solutions to address these problems.

But as we heard yesterday from Joseph, efforts to address Social Security solvency strictly by raising taxes would be devastating to our job creators. Jobs are the cornerstone of Social Security. You earn Social Security benefits as a result of work. We must never hurt job creation and wage growth as we move forward. To do so would harm Social Security, not help it.

Thanks to tax cuts, workers have more money in their pockets, companies are investing in their businesses and, as a result, our economy is booming. We should recognize this success and build off of it, to ensure those workers are rewarded for their hard work, not penalized.

Mr. Chairman, we are in earnest in our desire to work with you and look forward to hearing from our witnesses today. I know we all came here to solve big problems and to help people, Democrats and Republicans. I cannot think of a more important problem to solve than Social Security solvency. This will guarantee Americans can count on the program now and for generations to come. And, as I have learned firsthand, being raised by that single mom, Betty, my greatest idol and inspiration, securing Social Security is a mission we must achieve.

And with that, I yield back.

[The Reed opening statement follows:]

Reed Opening Statement at Hearing on Protecting and Improving Social Security: Benefit Enhancements

MARCH 13, 2019 — IN CASE YOU MISSED IT... — OPENING STATEMENTS

WASHINGTON, D.C. – The top Republican on the House Ways and Means Social Security Subcommittee Tom Reed (R-NY) delivered the following opening statement at a Subcommittee Hearing on Protecting and Improving Social Security: Benefit Enhancements.

CLICK HERE to watch the hearing.

Remarks as prepared for delivery:

> *"Thank you, Mr. Chairman. I'm happy to join you again today to discuss how we improve Social Security's benefits to reflect today's workers and their families. 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.*
>
> *"Yesterday, I shared the story of my mother Betty.*
>
> *"And stated the mission and principles of the Republicans on this Subcommittee when it comes to Social Security reform.*
>
> *"Because of their importance, we will state them again today. The mission of the Republicans on this Subcommittee is to secure benefits without tax increases.*

"The principles are simple. They are known as 'LEAP': long- term economic growth by encouraging work, not penalizing it; equal treatment for public servants; acting now to defend those future generation's benefits; and protecting the most vulnerable people through focused reforms.

"One of our principles is very much at the heart of today's hearing – protecting the most vulnerable people through focused reforms.

"As we heard in the story of my mother, she was a worker who held many jobs. And this is true for many people. Just yesterday, I heard from a constituent who retired but still wanted to work part time after claiming his earned Social Security benefits. However, this constituent hasn't reached his full retirement age so that means those benefits are reduced if he earns too much. That's wrong and it doesn't reward work or help seniors who are trying to transition into retirement.

"As Mr. Biggs and others will testify, widows who have worked and earned their own Social Security benefits face a potentially devastating reduction in the household's Social Security benefits upon the death of a spouse. That also doesn't reward work and it puts widows who have worked their entire lives at risk of poverty.

"And Chairman Larson's plan, former Chairman Johnson's plan, as well as many others, seek to make sure that the long-career, low wage worker has a minimum benefit that actually means something. Because that's the right thing to do after years of hard work.

"These are just a few examples. As all our witnesses will share in their stories, Social Security doesn't always work well for workers and their families today.

"That's because much of the program we know today as Social Security was designed in the late 1930s. A lot has changed since then – today more women are working, people start their families later, and, in some cases, they are living longer.

"It is time to take a hard look, figure out what is working and what is not, and then come together to find bipartisan solutions to address these problems.

"But as we heard yesterday from Joseph, efforts to address Social Security's solvency strictly by raising taxes would be devastating to our job creators. Jobs are the cornerstone of Social Security. You earn Social Security benefits as a result of work. We must never hurt job creation and wage growth.

"To do so would harm Social Security, not help it.

"Thanks to tax cuts, workers have more money in their pockets, companies are investing in their businesses, and as a result our economy is booming. We should recognize this success and build off it to ensure those workers are rewarded for their hard work, not penalized.

"Mr. Chairman, we are earnest in our desire to work with you and look forward to hearing from our witnesses today. I know we all came here to solve big problems and to help people.

"I can't think of a more important problem to solve than Social Security solvency. This will guarantee Americans can count on the program now and for generations to come.

"And as I have learned first-hand from my mom, Betty, this is a mission we must achieve."

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Chairman LARSON. I thank the distinguished Republican Leader and we look forward to working with you. We look forward to seeing the specifics of your plan. Because I think without a plan or without a concept to demonstrate for witnesses and what people can actually take a look at, it is hard to talk about platitudes, however lofty and idyllic they are.

And our panelists here today are here to discuss from their perspective the importance of benefits and what they mean to the public and we have, God bless them, they arrived early. And, I as I explained, we had a vote. But we will be hearing from Max

Richtman, from Bette Marafino, from Abigail Zapote, from Mr. Andrew Biggs, from Joan Entmacher and finally from Donna Butts. Each of your statements will be made as part of the record in its entirety. I would ask that you summarize your testimony in five minutes or less.

To help you with that time, there is a timing light on your table. When you have one minute left, the light will switch from green to yellow, and then finally to red when the five minutes is up.

We will begin with Mr. Richtman.

STATEMENT OF MAX RICHTMAN, PRESIDENT AND CEO, NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE

Mr. RICHTMAN. Chairman Larson, Ranking Member Reed, members of this subcommittee, on behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, thank you for holding this hearing and for inviting me to testify.

Since the program's creation 84 years ago, Social Security has been and is an enormously successful program that is essential to the retirement security of a vast majority of Americans. While Social Security benefits are modest, averaging about $17,000 a year, Social Security is still the single largest source of income for retired Americans.

To ensure the program's continued success, it is vitally important that long-term solvency be restored and that the Social Security benefits be improved to meet the needs of all Americans. We believe that it is essential that proposals to strengthen the adequacy of Social Security benefits for all effectively address the economic inequality disproportionately faced by women and communities of color as well.

For example, women have been and continue to be subjected to persistent gender wage discrimination that leads to smaller Social Security benefits. Women often give up jobs and paychecks to care for children and elderly parents, also leading to reductions in Social Security benefits. Women are less likely to have a pension and, even if they do have a pension, it is usually less than what men receive. And finally, women live longer than men and consequently are more likely to outlive their retirement savings.

Likewise, Social Security is extremely important to communities of color because African and Latino Americans tend to have lower earnings and less pension coverage than white Americans. For instance, almost 50 percent of African American beneficiaries, 52 percent of Latino beneficiaries, rely on Social Security for 90 percent or more of their income in retirement. This compares to about 40 percent of all races who depend on Social Security for 90 percent or more of their income.

These facts led the National Committee's decision to prioritize retirement equity, supporting legislation that rights the economic wrongs threatening millions of Americans. To that end, we support several proposals that would improve benefits which are explained at length in my written testimony and I would just like to highlight a couple of our recommendations.

First, we support improving Social Security's survivor benefits, to treat one-earner and two-earner couples more fairly and reduce the likelihood that survivors fall into poverty.

We believe that Social Security credits should be given to caregivers of children and elderly family members.

We also propose that future cost of living adjustments be based on a fully developed consumer price index for the elderly or CPI–E. CPI–E would more accurately measure the rising prices of goods and services paid by seniors than current urban and clerical worker index, that is what is currently used.

Finally, seniors age 85 and older, and women in particular, are more likely to be financially vulnerable even with Social Security. To ensure additional security, we support a benefit, we call it a bump-up for all beneficiaries 20 years after retirement.

To make these important proposals affordable and extend the program's long-term solvency the National Committee supports strengthening the financing of Social Security by first eliminating the cap on Social Security payroll contributions so that rich and poor and those in between pay at the same rate, and by gradually increasing the Social Security contribution rate.

Mr. Chairman, Members of the Subcommittee, three decades of stagnant middle class wages and eroding retirement benefits threaten to put millions of retirees on a path to hardship. Women and communities of color are on a more troubling path because they face this retirement crisis and also bear the burden of years of economic inequality. The proposals I have discussed in my oral and written testimony will address Social Security inequality for women, communities of color and help ensure a livable retirement for more Americans.

And we applaud you, Mr. Chairman, as well as Congressman DeFazio and Senators Blumenthal, Sanders, Casey, Van Hollen and others who have introduced many of these proposals as legislation. Finally, I urge the Ways and Means Committee to approve this legislation and ensure that all Americans can depend on Social Security to protect them against the growing need for economic security and retirement, disability and survivorship. Thank you very much.

[The prepared statement of Mr. Richtman follows:]

National Committee to Preserve
Social Security & Medicare®
Trusted • Independent • Effective

Max Richtman, President and CEO
National Committee to Preserve Social Security and Medicare
Before the Committee on Ways and Means
Subcommittee on Social Security
House of Representatives
Hearing on
Protecting and Improving Social Security: Benefit Enhancements

March 13, 2019

Chairman Larson and Ranking Member Reed:

My name is Max Richtman, and I am the President and CEO of the National Committee to Preserve Security and Medicare. The National Committee is a grassroots advocacy and education organization dedicated to preserving and strengthening safety net programs, including Social Security and Medicare. On behalf of the millions of members and supporters of the National Committee, I want to thank you for holding this hearing on the importance of improving the benefits that Social Security provides.

Importance of Social Security

For 84 years the Social Security program has been protecting Americans against the loss of income due to retirement, death or disability. Over 175 million workers and their families are covered by their contributions to Social Security and over 62 million Americans currently receive Social Security benefits.

Social Security is an enormously successful program which is essential to the retirement security of the vast majority of Americans. While Social Security benefits are modest—averaging only about $17,000 annually—Social Security is still the single largest source of income for retired Americans. Two-thirds of Social Security beneficiaries receive over half of their income from Social Security. For nearly 1 in 5 retirees, Social Security is their only source of income. Without Social Security, nearly half of the elderly would live in poverty.

Social Security and Women

While Social Security is a program that is vitally important to all Americans, it is especially critical to the financial security of women. There are a number of reasons why this is so. First, women live longer than men. On average, women today who reach age 65 outlive men by about 2.5 years. These additional years of longevity increase the risk that women may outlive their savings or that their pensions will lose their purchasing power.

Women, and especially women of color, are less likely than men to have employer pensions. And when women do have pensions, they tend to be smaller on average than those earned by men. The picture is even more dismal for individuals from communities of color, where less than half of employed African Americans and less than one-third of employed Latinos are covered by employer-sponsored retirement plans.

Compounding these problems, women have a history of lower earnings during their working years, take more time out of the workforce to care for family members and live in more difficult economic circumstances. As a result, they enter retirement with little or no protection from private pensions, inadequate retirement savings, and smaller Social Security benefits than those received by men.

The effects of these disparities are magnified for women of color. They are disproportionally lower earners and are more likely to have worked in part-time positions. A substantial number of women of color approach retirement with little or no retirement savings. The absence of alternative financial support has the effect of leaving women of color primarily dependent upon what is usually a very modest Social Security retirement income. Further, families of color are more dependent than other families on survivor and disability benefits under Social Security.

Now is the Time to Improve Social Security Benefits

The National Committee believes that it is vitally important that Social Security benefits be improved to more effectively meet the needs of all Americans. We also believe that it is essential that proposals to strengthen the adequacy of Social Security benefits effectively address the needs of women, and especially women of color.

The proposals that we have endorsed pass this test. All of these proposals are intended to provide greater protection to all Americans, but with a special focus on the needs of women. By granting credits for child/elder care years, improving the adequacy of the special minimum benefit, increasing the amount of the widow's and widower's benefit when a spouse dies, and by using a consumer price index designed specifically to measure the effects of inflation on the elderly, the adequacy of Social Security will be enhanced for all Americans, but especially for women and people of color.

The National Committee's Recommendations to Improve Benefits

What follows is a description of the kinds of benefits individuals can receive from Social Security today followed by our recommendations for modernizing and strengthening the program so that all Americans will receive an adequate income in retirement or disability.

- **Improving Survivor Benefits.** Individuals living alone, especially women, are sometime forced into poverty because of benefit reductions stemming from the death of a spouse. Widows from low-earning or wealth-depleted households are particularly at risk of poverty from these benefit reductions, which can reduce family benefits by as much as 50 percent. Providing a widow, widower, or surviving divorced spouse with less than 75 percent of the couple's combined benefit treats one-earner and two-earner couples more fairly and reduces the likelihood of leaving the survivor in poverty. The new benefit guarantee would be capped at the monthly benefit level of a lifelong average earner (about $1,700 in 2018).

- **Providing Social Security Credits for Caregivers.** One of the principal reasons women have fewer assets and less income in retirement than men is that they often interrupt their participation in the labor force to provide services to family members. This service most often takes the form of providing care to children, and more and more to elderly or disabled parents and other family members. Because of the nature of the formula used in its calculation, these temporary interruptions can lead to a significant reduction in the amount of a caregiver's Social Security benefit. These interruptions occur for unmarried as well as married caregivers since many now care for family members in addition to children.

  Over the years a number of approaches have been advanced to remedy the effect of caregiving on Social Security benefits, but no action has been taken. We believe it is time to fix this long-recognized deficiency in the Social Security program's design. Accordingly, we recommend that the computation of the primary insurance amount, or PIA (the amount that a worker can receive if application for benefits is deferred until reaching the worker's normal retirement age) be changed to grant imputed earnings for up to five years during which a worker leaves the workforce to provide care to a child or family member.

  These imputed, or deemed, wages would help even out the gaps in a caregiver's earnings record and avoid the benefit reductions that often stem from them. Under our proposal, we would limit deemed caregiver wages to no more than 50 percent of a year's average annual wage ($25,160 in 2017).

- **Enhancing the Special Minimum PIA.** In addition to computing the PIA based on average lifetime earnings, Social Security also calculates a worker's monthly benefit based on an alternate computational method known as the Special Minimum PIA. If this method results in a higher benefit, then the worker's payment is based on this computation. The intent of this provision is to provide a more adequate benefit to those who have spent the preponderance of their working lives in low-wage employment.

  But because the Special Minimum Benefit has for many years been indexed to inflation rather than to growth in wages, it needs to be updated. Our proposal does this. First, we recommend adopting wage growth as the metric used to make future adjustments to this benefit. We also incorporate into the computation the concept of providing years of coverage to those who must leave the workforce in order to provide care to family members.

  Second, we recommend that the Special Minimum Benefit be increased so that it is equal to 150 percent of the poverty level for a single aged person, which would yield a maximum monthly benefit of about $1,400 for a person who has worked for at least 30 years in low-wage employment.

  Finally, we recommend that in calculating Supplemental Security Income (SSI) benefits for individuals who qualify for the Special Minimum Benefit, that only the benefit payable under the standard average indexed monthly earnings (AIME) PIA be used to determine SSI countable income. This will help protect beneficiaries from the loss of their SSI benefits and the possible loss of health care benefits from increases stemming from improvements made to the Special Minimum Benefit.

- **Equalizing Rules for Disabled Widows and Widowers.** Widows, widowers, and surviving divorced spouses can qualify for Social Security benefits based on disability beginning at age 50. They are the only disabled persons whose benefits are age-limited and subject to an actuarial reduction. The amount of this reduction can be as much as 28.5 percent depending on the age of the surviving spouse at the time he/she qualifies for benefits. In contrast, the benefits paid to disabled workers are not actuarially reduced. Instead, they receive 100 percent of their full retirement age benefit. We recommend this disparate treatment end. Disabled spouses should receive 100 percent of their benefit without any actuarial reduction, and they should be able to qualify for disabled spouse's benefits at any age. We also recommend elimination of the current-law 7-year application period for these benefits.

- **Benefit Equality for Working Widows and Widowers.** Under current law, the benefit for surviving spouses is generally capped at the amount the deceased spouse would receive if she/he were still alive. If a deceased spouse were to retire before reaching his/her normal retirement age, the surviving spouse inherits the resulting actuarial reduction. However, the amount of the reduction is limited to no more than 82.5 percent of the deceased spouse's full unreduced retirement benefit. Apart from this limited protection, a surviving spouse can neither cancel a spouse's early retirement decision nor enhance one's widow's benefit by delaying one's own retirement.

  We believe the surviving spouse's benefit should no longer be tethered to the reduction stemming from the deceased spouse's early retirement decision. We recommend that current law be amended to provide that the surviving spouse's age at the time of application be the only factor considered in determining the actuarial reduction of a surviving spouse's benefit.

- **Strengthening the COLA.** When automatic cost-of-living adjustments (COLAs) for Social Security and other federal benefits were enacted in the 1970's, there was only one consumer price index (CPI) available to use, the CPI-W, which reflects price increases based on the purchasing patterns of urban wage earners and clerical workers. The purpose of the COLA is to adjust the Social Security benefit so that inflation does not erode its purchasing power.

  Beginning in 1987, the Bureau of Labor Statistics (BLS) developed, and has since maintained an experimental CPI known as the CPI-E, which is specifically based on the purchasing patterns of America's seniors. Historically, the CPI-E has reflected a rate of inflation that has been between 0.2 and 0.3 percentage points higher than inflation as measured under the CPI-W. This is primarily attributable to the greater weight placed on health expenditures in the CPI-E, which reflects the fact that seniors spend a higher percentage of their monthly spending on health care than do younger consumers.

  The current CPI-W formula does not come close to staying in line with the rapidly-increasing cost of health care, which consumes a significant portion of every retiree's benefit. Although it is still an experimental index that needs more work to be fully developed, we believe the CPI-E is a more accurate measure of inflation for the purpose of protecting Social Security benefits from the ravages of inflation.

We urge Congress to direct the BLS to complete its development of this index and enact legislation that adopts it as the index to be used to adjust Social Security benefits for inflation.

- **Restoring Student Benefits.** Social Security generally pays benefits to children until age 18, or 19 if they are still attending high school, if a working parent has died, become disabled or retired. In the past, those benefits continued until age 22 if the child was a full-time student in college or a vocational school. Congress ended post-secondary student's benefits in 1981. Research (National Academy of Social Insurance, 2010) has shown that recipients of this benefit were disproportionately children of parents in blue-collar jobs, African Americans, and with lower incomes than other college students. The National Committee urges Congress to reinstate these benefits under the same terms they were paid prior to 1981.

- **Improving the Basic Benefit for All Beneficiaries.** After years of operating under a COLA which does not reflect the higher inflation attributable to health expenditures and the fact that seniors devote a higher percentage of their monthly spending to health care costs, seniors should have their increased costs offset by an across-the-board benefit increase. This increase would also compensate seniors for the losses they have suffered due to recent economic turmoil. Women, especially, who have worked a lifetime with low pay are financially vulnerable in retirement because they are less likely to have private pensions or discretionary income that would allow for saving. We recommend the basic benefit of all current and future beneficiaries be increased by five percent of the average benefit (approximately $70 per month). We also recommend that benefits be increased for seniors who have received Social Security for a long period of time. Seniors who live beyond age 85 are more likely to be financially vulnerable, even with Social Security. That is why we support increasing benefits for all beneficiaries 20 years after retirement by a uniform amount equal to five percent of the average retired worker benefit in the prior year.

- **Improve Benefits for Disabled Adult Children.** One of the categories of childhood benefits that is payable on a worker's record is benefits to an adult child who becomes disabled before reaching age 22. In addition to being disabled, the child must never have been married at the time the application is filed. Eligibility continues as long as the child remains disabled and unmarried. Benefits may also be affected if the child becomes employed. Marriage at any time ends entitlement to this type of benefit, unless the child's husband or wife is also receiving benefits either as a disabled adult child or disabled widow or widower. Marriage to anyone else permanently ends a disabled adult child's eligibility unless the marriage is annulled.

  When a disabled adult child qualifies on a parent's record, benefits for the child and for other family members may be adjusted due to the family maximum. If all eligible family members live in the same household, expenses and income are usually shared. However, people with disabilities are increasingly deciding to live independently. A consequence of doing so is a substantial reduction in a family's income from Social Security. A remedy is to compute the benefit for a disabled adult child without regard to the family maximum, as is already done when calculating the benefit for divorced spouses.

We urge Congress to improve benefits for disabled adult children by allowing beneficiaries to reestablish entitlement to benefits after divorce and by computing the benefit for these individuals without regard to the provisions of the family maximum.

Options for Strengthening Social Security's Financing

While some assert that the Social Security program is in a deep funding crisis, such characterizations are simply not true. Social Security is not bankrupt or in crisis, and it can pay all benefits in full through 2034. After that, the program will still be able to pay 79 percent of all benefits that are owed to Social Security beneficiaries in subsequent years.

According to the Social Security Trustees' 2018 report, the program's funding shortfall, known as an actuarial deficit, is 2.84 percent of taxable payroll. In our view, this shortfall is manageable and resolvable. There are a number of straightforward reforms that, if adopted, would increase Social Security's funding by an amount sufficient to both close the actuarial deficit and pay for the costs associated with the program improvements the National Committee has proposed. Following are financing options that the National Committee supports.

- **Eliminate the Cap on Social Security Payroll Contributions.** Currently, there is a cap of $132,900 on the amount of a worker's wages that are subject to Social Security contributions. We recommend this cap be eliminated gradually while the benefit formula is modestly adjusted for the purpose of determining benefits for high-wage earners.

- **Gradually Increase the Social Security Contribution Rate.** Scheduling a gradual increase in the Social Security tax rate by a very small percentage phased in over a number of years would significantly strengthen Social Security's financial condition, both now and well into the future. We envision an increase, when fully phased in, of about 1.0 to 1.2 percent of payroll, applicable to both employers and employees.

Conclusion

We believe there is a consensus supported by an overwhelming majority of Americans to close Social Security's modest funding gap and improve Social Security benefits. It is also important that any plan strike the right balance between the overall financial needs of the program and the specific needs that still exist for strengthening the protections that Social Security provides.

We believe that the policy options that I have recommended today strike that balance. Despite the dramatic increase in women's participation in the national economy, the benefits derived from that participation have fallen short. Women continue to have fewer assets and income in retirement and depend more heavily than do men on Social Security as the primary source of their financial well-being in retirement. These facts make it imperative that options such as those we recommend today be incorporated into the Social Security program. The well-being of the nation and the well-being of the women of America demand nothing less.

Thank you for the opportunity to testify today on these important issues. I would be happy to answer any questions.

Chairman LARSON. Thank you, Mr. Richtman.

And now it is my great pleasure to recognize someone from my home state of Connecticut, a retired English professor and teacher who represents the Alliance for Americans, Bette Marafino.

STATEMENT OF BETTE MARAFINO, PRESIDENT, CONNECTICUT ALLIANCE OF RETIRED AMERICANS

Ms. MARAFINO. Thank you, Congressman Larson and Ranking Member Reed and members of the Social Security Subcommittee. I am from West Hartford, Connecticut, and I am Bette Marafino, president of the Connecticut Alliance for Retired Americans, a grassroots advocacy organization of more than 57,000 people. We are an affiliate of the Alliance for Retired Americans, which has 4.4 million members and is fighting to protect the health and economic security of all older Americans.

As part of our outreach, members of the alliance speak with and interview retirees all across the country. Health concerns and income security are common to most seniors. And many tell us their only income is their monthly Social Security check. Retirees fear what would happen to them if Social Security were cut and worry about the skyrocketing cost of prescription drugs.

I would like to share a couple of stories we gathered that illustrate the challenges facing older Americans. David, from New Haven, Connecticut says, my wife and I retired and we both have several health problems. We live on 900 a month from Social Security. We are worried that if we lose Social Security through a benefit cut or have Medicare coverage reduced, we would be unable to pay for our health care.

Mary of Essex, Connecticut says, I have crippling rheumatoid arthritis and get an infusion every six weeks. The cost for this procedure is $4,200. Without this treatment, I would be confined to a wheelchair. I worry that if Medicare is reduced, I would not be able to afford this treatment. I do not have a pension and receive 700 a month from Social Security. Every month, I take money out of my small bank account to supplement my Social Security check. I am 78 and hope I don't live a long life because I do not want to rely on my relatives to help me.

On a personal note, my maternal grandmother, mother of six and a widow at age 50, often said how glad she was to receive my grandfather's Social Security check. Because that check, she said, kept her out of the poorhouse. At the time, Connecticut had poorhouses in many communities for those with little money. There was one not very far from my grandmother's house. And every week, she baked her babka and brought it to the poorhouse and sometimes I would visit with her. And the poorhouse was a very, very basic, bleak place. And I am concerned that if we have cuts to Social Security, we might wind up back in poorhouses. Fortunately, my grandmother was able to live in her modest home until she passed away at the age of 102.

For decades, economists described the U.S. retirement system as a three-legged stool with a pension, Social Security and personal savings all supporting retirement. The pension leg of the stool has been gradually disappearing from the American workplaces, eroding retirement security for most Americans and making Social Security even more important.

In addition, Americans pay the highest price for prescription drugs, putting extreme pressure on seniors' finances and making the need to increase Social Security benefits urgent. A recent KFF poll found that 23 percent of seniors find it difficult to afford their prescriptions and 29 percent of all adults did not take their drugs as prescribed because of costs.

To ensure all Americans have the dignified retirement they have earned through their lifetime of service, the Alliance for Retired Americans urges Congress to expand Social Security, increase earned benefits for current and future beneficiaries and expand the

CPI–E. We must also help widows and widowers. We urge Congress to ensure that surviving spouses receive 75 percent of the total household's Social Security benefits they received prior to their spouse's death.

This change is particularly important to women. The poverty rate for women over 65 is almost twice that of men over 65. And more than half of elderly women in poverty are widows.

To fund benefit increases and extend the solvency of the trust fund, the alliance supports lifting the payroll cap and requiring millionaires and billionaires to pay their fair share into the trust fund.

I see my time is up, but may I just please close with one quick paragraph, Congressman?

Chairman LARSON. You may.

Ms. MARAFINO. I would like to close by reminding everyone that Social Security also protects people with disabilities and the surviving children of deceased parents. The president of the Arizona Alliance for Retired Americans' father died when he was a child and credits Social Security with keeping him, his mother and his siblings out of poverty.

On behalf of the Alliance for Retired Americans, thank you.

[The prepared statement of Ms. Marafino follows:]

Alliance for Retired Americans®

TESTIMONY OF ELIZABETH MARAFINO
PRESIDENT, CONNECTICUT ALLIANCE FOR RETIRED AMERICANS
SUBMITTED TO THE U.S. HOUSE OF REPRESENTATIVES
WAYS & MEANS COMMITTEE
SUBCOMMITTEE ON SOCIAL SECURITY

HEARING ON

"PROTECTING AND IMPROVING SOCIAL SECURITY: BENEFIT ENHANCEMENTS"

MARCH 13, 2019

ALLIANCE FOR RETIRED AMERICANS
815 16TH STREET, NW
WASHINGTON, DC 20006
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Thank you, Congressman Larson, Ranking Member Reed and members of the Social Security subcommittee. I am Elizabeth Marafino, from West Hartford, Connecticut. I am President of the Connecticut Alliance for Retired Americans, a grassroots advocacy organization of more than 57,000 people. We are an affiliate of the Alliance for Retired Americans, which has 4.4 million members and is fighting to protect the health and economic security of all older Americans.

Every year the Connecticut Alliance surveys our members on which issues are the most important. Preserving and strengthening Social Security and Medicare always engender the most concern. It is so encouraging to our members that your committee is holding hearings and looking at proposals to both preserve and strengthen these programs.

When the Social Security Act was signed into law by President Franklin D. Roosevelt on August 14, 1935, it was intended to be - and still is today - a Social Insurance program. Social Security provides economic security to U.S. citizens. I want to stress the term “social insurance.“ Social Security is not an entitlement; it’s an insurance program. Every paycheck we earned had a portion taken out and contributed to trust funds to protect retirees, people who lost a spouse or a parent and people with disabilities. For more than eight decades, in good times and in bad times, Social Security has never missed a payment to a beneficiary.

As part of our outreach, members of the Alliance speak with and interview retirees all across the country. Health concerns and income security are common to most seniors, and many tell us their only income is their monthly Social Security check. Retirees fear what would happen to them if Social Security were cut and worry about the skyrocketing cost of prescription drugs.

I’d like to share a few stories we’ve gathered that illustrate the challenges facing older Americans.

David of New Haven, Connecticut. “My wife and I retired and we both have several health problems. We live on $900.00 a month from Social Security. We are worried that if we lose Social Security through a benefit cut or have Medicare coverage reduced, we would be unable to pay for our healthcare.”

Mary of Essex, Connecticut. “I have crippling rheumatoid arthritis and get an infusion every six weeks. The cost for this procedure is approximately $4,200.00. Without this treatment, I would be confined to a wheelchair. I worry that if Medicare is reduced, I would not be able to afford this treatment. I do not have a pension and receive $700.00 a month from Social Security. Every month I take money out of my small bank account to supplement my Social Security check. I am 78-years old and hope I don’t live a long life because I do not want to rely on relatives to help me.”

A fellow Alliance member, Margaret of Garner, North Carolina is struggling. After long years of being a caregiver for her mother who had Alzheimer's disease, Margaret relies solely on Social Security and a small pension to keep a roof over her head. After her mother died, Margaret lost her job in the recession. She depends on food pantries to ensure she has enough to eat without breaking the bank each month. While the food pantry helps, it cannot provide items such as fresh produce or eggs. Some weeks Margaret says she must choose between toothpaste and bread.

On a personal note, my maternal grandmother, mother of six and a widow at the age of fifty, often said how glad she was to receive my grandfather's Social Security check because that check kept her from having to move to a poor house.

At the time, Connecticut had a number of poor houses for those with very little money. There was one not very far from Grandma's. She baked bread and brought it to the poor house every week, and I often went with her to deliver the bread. I have vivid memories of that poor house. It was a very simple structure with just the basics. Fortunately, Grandma was able to live in her own modest home until her passing at the age of 102.

For decades economists described the U.S. retirement system as a 'three legged stool," with a pension, Social Security and personal savings all supporting a person in retirement. But of course, when one leg of the stool is missing or shorter than the others, instability and financial problems result.

The pension leg of the stool has been gradually disappearing from the American workplaces, eroding retirement security for most Americans and making Social Security even more important.

According to the Center for Retirement Research at Boston College, in the 1980s, 62 percent of workers had a traditional defined benefit pension. By 2017, that figure had dropped to 17% of workers. Many who do have defined benefit pensions are in danger of losing them, such as public employees, workers whose companies have filed for bankruptcy, and workers in multiemployer pension plans that are in danger of becoming insolvent.

The research also found that many employers don't offer a retirement plan at all: only 51% of Americans 21 to 64 years old had access to a retirement plan in 2014.

Nearly half of all retired Americans rely on Social Security for half their income, and 24% percent of Americans over 65 rely on Social Security for 90% of their income. We must keep in mind that Social Security benefits are modest. The average Social Security benefit for 2019 is just $1,461 a month, or about $17,500 a year.

Americans pay the highest prices in the world for prescription drugs, putting extreme pressure on seniors' finances and making the need to increase Social Security benefits even more urgent. We hear this from our members every day, and a KFF Health Tracking poll released last week reinforces this. The Kaiser poll found that 23 percent of seniors say it is difficult to afford their prescription drugs, and 29% of all adults report not taking their drugs as prescribed at some point in the last year because of costs.

Social Security payments are not keeping up with inflation. The Social Security cost-of-living adjustment, created in 1972, is inadequate and fails to accurately measure the inflation that affects seniors. In 2016, 9.3% of seniors over 65 lived in poverty, according to the Census Bureau.

The poverty rate is even higher (14.3%) if you use the Census Bureau's Supplemental Poverty rate, which factors in out-of-pocket medical expenses. The poverty rate is higher for some seniors than others. Elderly Hispanics and Blacks experience twice the poverty rate of whites, and the poverty rate for women over 80 under the supplemental rate is 21.1%.

To ensure that all Americans have the dignified retirement they have earned after a lifetime of work, the Alliance for Retired Americans is urging Congress to expand Social Security and increase earned benefits for current and future beneficiaries. Social Security expansion should include calculating COLAs based on the Consumer Price Index for the Elderly (CPI-E), an experimental measure kept by the Department of Labor that more accurately reflects the true costs of inflation for seniors.

We must also increase the special minimum benefits for low-wage workers. The special minimum benefit is currently so low in comparison to most workers' monthly benefits that it's virtually irrelevant to new beneficiaries. In 2013, the full special minimum benefit equaled about 88 percent of the Census Bureau's aged poverty threshold and about 85 percent of the HHS poverty guideline. We must do better and ensure low-wage workers have the basic dignity in retirement they deserve.

In addition, we must help widows and widowers. The Alliance urges Congress to ensure that surviving spouses receive 75% of the total household Social Security benefits they received prior to their spouse's death. This change is particularly important to women. The poverty rate for women over 65 is almost twice that of men over 65, and more than 50 percent of elderly women in poverty are widows. A 2018 Social Security Administration Inspector General's report found that widows and widowers were being shortchanged $140 million in benefits due to a complex funding formula. What kind of society tells someone who has just lost their spouse of 50 years that they will now be destitute in addition to being alone?

To fund benefit increases and extend the solvency of the Social Security Trust Fund, the Alliance supports lifting the payroll cap and requiring millionaires and billionaires to pay their fair share into the Trust Fund. We are opposed to any kind of benefit cut, including the chained CPI, which would reduce Social Security COLAs, and raising the retirement age. We also oppose raising the payroll tax on workers.

Social Security is a sound economic investment. If seniors can live in dignity, the entire community benefits. Every August the Connecticut Alliance celebrates Social Security's birthday with a party at a senior center. This summer we will celebrate Social Security's 84th, and we hope to have many, many more.

And let me close by reminding everyone that Social Security protects people with disabilities and the surviving children of deceased parents. The president of the Arizona Alliance for Retired Americans' father died when he was a child, and credits Social Security with keeping him, his mother and his siblings out of poverty.

On behalf of the Alliance for Retired Americans, thank you for your commitment to addressing the issue of retirement security and for listening to my testimony today.

Chairman LARSON. Thank you, Bette.

Ms. Zapote, you are recognized. You may proceed.

STATEMENT OF ABIGAIL ZAPOTE, EXECUTIVE DIRECTOR, LATINOS FOR A SECURE RETIREMENT

Ms. ZAPOTE. Thank you, Chairman Larson and Ranking Member Reed, for inviting me to speak today, as well as the rest of the committee. It truly is an honor to be here.

My name is Abigail Zapote and I am the executive director of the Latinos for a Secure Retirement coalition. Our organizations represent the more than 58 million Latinos in the United States, nearly one out of five, and the fastest growing and youngest ethnic group in the United States. By 2060, our community is poised to become 30 percent of the American workforce, making it imperative to have a Social Security insurance program that is robust for future generations. Our strong cultural values of la familia, of caring for your parents, spouses and children, are exemplified by Social Security.

I sit before you today on behalf of all Latinos to take a stand in protecting Social Security. First and foremost by saying no to proposals that would cut benefits, no to proposals calling for privatization, and no to proposals that would raise the full benefit age, as we know this results in lower benefits no matter at what age benefits are claimed. Secondly, to speak to the importance of four benefit enhancements that would improve Social Security and exponentially increase quality of life for beneficiaries.

In 2018, the average annual benefit for seniors was roughly 17,000. These benefits are far from generous. Yet, for Latinos, these benefits are lower and even more critical to their livelihood. The average benefit for Latino men was roughly 15,000 and only 12,000 for Latina women. Without Social Security, the elderly poverty Latino rate would increase from roughly one out of six to one out of two.

To put this into better context, I want to share a story from a Latina senior in California who faces issues that benefit enhancements could remedy. Mrs. Gonzalez knows it could be worse. She has diabetes but uses Medicare to help cover her health cost. She struggles to make ends meet but takes care of her nutrition needs through the use of supplemental security income. But for some of her friends and other Latino seniors, daily life is even more difficult.

I have friends gone homeless. Their living expenses just got too high and have not found family members they can move in with. I am trying to find help for them but it is not easy.

This is the reality that many Latino seniors face every day, relying on Social Security and community programs as lifelines to seeing a doctor, in finding housing and affording food. We can begin to resolve these issues by increasing funding to SSA's operating budget to better serve America's growing Social Security beneficiary population.

Due to the increase in health care, housing and living expenses for seniors, adopting a consumer price index for the elderly is a top priority. This would ensure that the CPI–E reflects expenditures of the elderly and produce a higher COLA that truly keeps pace with inflation.

In 2017, nearly one of five Latino workers were paid poverty wages that left them below the federal poverty line, even when they worked full time year round. Additionally, Latinos tend to work for employers who do not offer retirement accounts, which leaves them disproportionately unprepared for retirement. To protect long-service, low-wage workers and ensure benefit adequacy for all Americans, a special minimum benefit should be enacted to pay 25 percent above the poverty line for those who have worked 30 years and retire at the normal retirement age. Chairman Larson, I want to thank you for including both of these benefit enhancements in the Social Security 2100 Bill.

We also urge a proposal that would provide benefits for students of deceased or disabled parents up to the age of 22. Latinos are more likely than the rest of the population to have a deceased or disabled parent due to employment in physically demanding jobs.

College costs have skyrocketed and higher education has become even more essential to long-term labor market success. This change would help address college affordability for a disproportionately low-income group.

Strong family values in the Latino community means workers also become primary caretakers for elderly relatives and children. We urge a proposal that would provide caregivers a Social Security earnings credit when they take unpaid time off from their work to provide care. The credit would be added to earnings to calculate future Social Security benefits for the caregiver's retirement.

Lastly, the vast majority of working Americans will contribute to Social Security with every paycheck they earn. This includes even the lowest paid workers, those who earn the federal minimum wage of $7.25. We propose a gradual increase to the tax cap to again cover a larger percent of earnings and provide peace of mind to workers of all ages that they, too, can count on this program.

Social Security is clearly a bedrock to our nation's retirement security and an indispensable lifeline for our nation's seniors, disabled, widows and orphans. Any attempts at reforming Social Security must recognize the importance of these benefit enhancements to secure Social Security for the future.

Thank you for having me here. And I will be happy to answer any questions you may have.

[The prepared statement of Ms. Zapote follows:]

Abigail Zapote
Executive Director, Latinos for a Secure Retirement

Testimony before the Committee on Ways and Means,
Subcommittee on Social Security
Hearing on "Protecting and Improving Social Security Benefit Enhancements"

March 13, 2019

Thank you, Chairman Larson and Ranking Member Reed, for inviting me to speak today. It truly is an honor to be here.

My name is Abigail Zapote and I am the Executive Director of the Latinos for a Secure Retirement coalition. Our organizations represent the more than 58 million Latinos in the United States[1], nearly one out of every five Americans, and the fastest growing and youngest ethnic group in the United States, with a median age of 28.[2] By 2060, our community is poised to become 30% of the American workforce making it imperative to continue to have a strong and robust Social Security insurance program for future generations of beneficiaries.[3] While Latinos in the U.S. have a diverse range of backgrounds and characteristics, we share a strong cultural value of *La Familia.* These family values of caring for your parents, spouses, and children are exemplified by Social Security.

Social Security is a vital safety net that protects American families. Children are protected in the event they are orphaned, or their parents become disabled. Workers are protected if they can no longer work because of disability and parents and grandparents are protected when they become too old to continue working.

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[1] In 2015, the Census Bureau projected that in 2060, Hispanic people will comprise 28.6% of the total population, with 119 million Hispanic individuals residing in the United States. There are an estimated 58.9 million Hispanic people in the United States, comprising 18.1% of the population. https://www.cnn.com/2013/09/20/us/hispanics-in-the-u-s-/index.html

[2] The nation's Latino population has long been one of its youngest. In 2014, the most recent year for which data are available, the median age of Hispanics – 28 years – was well below that of the major racial groups and has been so since at least the 1980s. http://www.pewhispanic.org/2016/04/20/the-nations-latino-population-is-defined-by-its-youth/

3 "Hispanics are projected to increase their share of the labor force due to higher birth, labor force participation, and immigration rates. Persons of Hispanic or Latino ethnicity can be of any race. Growth of the Hispanic labor force is expected to be higher than the growth of the non-Hispanic labor forceChart "Share of Hispanics in the labor force is increasing" https://www.bls.gov/spotlight/2016/a-look-at-the-future-of-the-us-labor-force-to-2060/pdf/a-look-at-the-future-of-the-us-labor-force-to-2060.pdf

Social Security is a sacred trust between generations and represents our Latino family values.
I sit before you today, not just on behalf of Latinos but with a tremendous responsibility to millions of Americans who cannot be here today to take a stand in protecting Social Security. First and foremost, by saying NO to proposals that would cut benefits, NO to proposals calling for privatization, and NO to proposals that would raise the full benefit age, as we know this results in lower benefits no matter at what age benefits are claimed. Additionally, raising the retirement age is a benefit cut and against the principles of the Latinos for a Secure Retirement coalition.

Secondly, to speak to the importance of four enhancements to improve Social Security and exponentially increase quality-of-life for beneficiaries, reduce elder poverty rates and solve the Social Security solvency crisis. These include: (1) the use of the Consumer Price Index for the Elderly (CPI-E) when projecting the cost-of-living adjustments (COLA), (2) insuring college and vocational students of deceased or disabled parents, (3) raising the income floor for vulnerable elders through a special minimum benefit, (4) provide a caregiver credit, and (5) eliminate the cap on payroll contributions.

Benefits

In 2018, the average annual benefit for seniors was $16,956.[4] These benefits are far from generous. Yet, for Latinos, these benefits are lower and even more critical for their livelihood. The average 2016 benefit for Latino men was $14,708 and only $12,260 for Latina women.[5] These Social Security benefits compromise nearly all the income for more than half, 57.5 percent, of Latino elderly households and represent 74.2 percent of the total income of Latino elderly households receiving benefits.[6]

Without Social Security, the elderly Latino poverty rate would increase from roughly 1 out of 6 (17.9 percent) to 1 out of 2 (50.7 percent).[7] Latinos depend on

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[4] Calculated from $1,413 average monthly benefit. "Social Security Fact Sheet", Social Security Administration, 2018. Available at: https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf
[5] "Social Security is Important to Hispanics", Social Security Administration, 2018 Available at: https://www.ssa.gov/news/press/factsheets/hispanics-alt.pdf
[6] Importance of Social Security relative to total income from "Table 9.A3 Percentage distribution of beneficiary units, by race, Hispanic origin, and marital status, 2014," in Income of the Population 55 or Older, 2014 (Social Security Administration, 2016)
[7] Torres-Gil, Fernando et al, "The Importance of Social Security to the Hispanic Community," (Washington: center on Budget and Policy Priorities, 2005)

Social Security more than other groups because they tend to have lower lifetime income, longer life expectancies, higher incidence of disability and larger families.[8]

To put this into better context I want to share a story from a Latina senior in California who faces issues that benefit enhancements could remedy.

> "[Mrs.] Gonzalez knows it could be worse. She has diabetes but uses Medicare to help cover her health costs. She struggles to make ends meet but takes care of her nutrition needs through the use of Supplemental Security Income at local farmers' markets and grocery stores.
>
> But for some of her friends and other Latino seniors, daily life is even more difficult.
>
> "I have friends gone homeless—their living expenses just got too high and haven't found family members they can move in with," she told me. "I am trying to find help for them but it's not easy."
>
> [Mrs.] Gonzalez was in the lobby of [a university student-run clinic], waiting for her friend, who is uninsured and seeks care regularly at the clinic, which caters to Latino patients. [9]

This is the reality that many Latino seniors face every day. Relying on Social Security and community programs as lifelines in seeing a doctor, in finding housing and to affording food.

Increase Funding to SSA's Operating Budget

The beginning to resolving these issues would begin by increasing funding to SSA's operating budget. In recent years, SSA's operating budget fell nearly 9 percent between 2010 and 2018, after adjusting for inflation — even as the number of beneficiaries (including retirement, survivors, and disability benefits) grew by nearly 15 percent. We propose a reinvestment into SSA's operating budget to better serve America's growing Social Security beneficiary population.[10]

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[8] "Social Security is Important to Hispanics", Social Security Administration, 2018 Available at: https://www.ssa.gov/news/press/factsheets/hispanics-alt.pdf

[9] "How to help Latino Seniors? Ask them" California Health Report, 2017 Available at: http://www.calhealthreport.org/2017/11/15/help-latino-seniors-ask/

[10] "Cash-strapped Social Security Needs More Funds to Improve Customer Service," Center on Budget and Policy Priorities, 2018. Available at: https://www.cbpp.org/blog/cash-strapped-social-security-needs-more-funds-to-improve-customer-service

These investments could include: (1) sending earning statements to American wage earners, as the law requires, but is not being done; (2) fully staffing existing field offices and re-opening those that have been closed in underserved areas; (3) hiring additional SSA customer service staff to operate the 1-8oo number, so the American people are not confronted with long waits and busy signals; (4) clear disability back logs; (5) increasing SSA's core operating budget; (6) increasing field office hours; (7) improve technological advancements to aid in clearing backlogs, and (8) hiring additional administrative law judges (ALJ).

Consumer Price Index for the Elderly (CPI-E)

Due to the increase in healthcare, housing, and living-expenses for seniors, changing the CPI is a top priority for our coalition. We urge the adoption of a consumer price index (CPI) for the elderly, or CPI-E, as a more accurate means of calculating Social Security COLAs.

Seniors spend a significant portion of their income on out-of-pocket health care expenses not covered by Medicare. As time goes by, more and more of their Social Security benefit checks will be eaten up by rising health care costs. According to the Medicare Trustees, 33 percent of the average senior's Social Security check will be consumed by Medicare out-of-pocket costs by 2091, compared with 25 percent today.[11]

This proposal would ensure that the Consumer Price Index reflects the expenditures of the elderly and produce a higher cost-of-living-adjustment that truly keeps pace with inflation.

Insure College and Vocational Students of Deceased and Disabled Parents[12]

This proposal would provide Social Security benefits for students of deceased or disabled parents. Consequently, Latinos are more likely than the population as a whole to have a deceased or disabled parent due to employment in physically demanding jobs or jobs with difficult working conditions.[13] This change would

[11] Social Security Policy Papers, 2017 Available at: https://www.ncpssm.org/documents/social-security-policy-papers/the-cpi-e-a-better-option-for-calculating-social-security-colas/
[12] "Strengthening Social Security for the Long Run," National Academy of Social Insurance Social Security Brief, 2010. Available at https://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf
[13] "Hard Work? Patterns in Physically Demanding Labor Among Older Workers" Center for Economic and Policy Research, 2010 Available at: http://cepr.net/documents/publications/older-workers-2010-08.pdf

help address college affordability for a disproportionately low-income group and provide additional incentives for them to stay in college. Polls show that 78 percent of Americans favor this option.[14]

Social Security historically paid benefits to children of retired, deceased, or disabled beneficiaries until the age of 22 if they were in college. However, the law was changed in 1981 to end benefits for student children once they either graduated high school or turned 19, in part because of the belief that higher education had become more affordable for disadvantaged youth. Since then, college costs have skyrocketed, and higher education has become even more essential to long-term labor market success.

The cost of providing this important new benefit would be modest, it would only add about 3.5 percent to the projected 75-year deficit. However, the ultimate benefit may be the future economic growth realized by investing in Americans. A college graduate will on average make about $26,000 more annually than someone with only a high school education, contributing $145,000 more into the Social Security trust fund over their lifetime.

<u>Raise the Income Floor for Vulnerable Elders</u>[15]

In 2017, 19.2 percent –nearly one of five—Latino workers were paid poverty wages –i.e. hourly wages that would leave them below the federal poverty guideline, even when they worked full-time, year-round.[16] Additionally, Latinos tend to work for employers who do not offer retirement accounts which leaves them disproportionately unprepared for retirement.

To protect long service low wage workers, a special minimum benefit should be enacted to pay 125 percent of the poverty line for those who have worked 30 years and retire at the normal retirement age.[17] It should be indexed to wage growth in the same way that other benefits are for those newly eligible. We believe the

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[14] "A New Deal for Young Adults: Social Security Benefits for Post-Secondary School Students," National Academy of Social Insurance, 2010. Available at: https://www.nasi.org/research/2010/new-deal-young-adults-social-security-benefits-post

[15] "Strengthening Social Security for the Long Run," National Academy of Social Insurance Social Security Brief, 2010. Available at https://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf

[16] "Workers of color are far more likely to be paid poverty-level wages than white workers," Economic Policy Institute, 2018. Available at: https://www.epi.org/blog/workers-of-color-are-far-more-likely-to-be-paid-poverty-level-wages-than-white-workers/

[17] "Strengthening Social Security for the Long Run," National Academy of Social Insurance Social Security Brief, 2010. Available at https://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf

special benefit minimum will ensure benefit adequacy for all Americans. Strengthening the special minimum benefit would increase the projected 75-year deficit by about 6.5 percent.

Caregiver Credit

Strong family values in the Latino community means workers are also become primary caretakers for elderly relatives and children. The typical Hispanic caretaker is a middle-aged woman who spends about 32 hours a week helping with bathing, dressing, running errands, managing finances and providing medical or nursing care.[18] Not only does the caretaker take on this full-time responsibility she often does this without pay and without the assistance of paid help. This leaves her vulnerable to losing actual paid wages which may prevent her from earning full earning credits to receive full Social Security benefits.

This proposal would provide caregivers a Social Security earnings credit when they take unpaid time off from their employment to provide care, whether by leaving their jobs or reducing their hours. The credit would be added to earnings to calculate future Social Security benefits for the caregiver's retirement.

Raise the Tax Cap

The vast majority of working Americans will contribute to Social Security with every paycheck they earn. This includes even the lowest-paid workers—those who earn the federal minimum wage of just $7.25 per hour—who haven't seen a raise in 10 years. In 2019, every dollar earned above the payroll tax cap of $132,900 will escape Social Security payroll taxes entirely.[19]

It is estimated that if Social Security's taxable wage base had remained at 90 percent of earnings since 1983, the assets in the combined trust funds would have been $1.4 trillion greater at the end of 2017. This alone would close nearly 11 percent of Social Security's anticipated 75-year funding shortfall.[20]

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[18] "The Hispanic/Latino Caregiver," Caregiving in the U.S., 2015. Available at: https://www.caregiving.org/wp-content/uploads/2015/05/Caregiving-in-the-US-2015_HispanicLatino_CGProfile.pdf
[19] "Here's how much America's rising income inequality is costing Social Security," Center for American Progress, 2019. Available at: https://www.americanprogress.org/issues/poverty/news/2019/02/13/466134/heres-much-americas-rising-income-inequality-costing-social-security/
[20] "Here's how much America's rising income inequality is costing Social Security," Center for American Progress, 2019. Available at: https://www.americanprogress.org/issues/poverty/news/2019/02/13/466134/heres-much-americas-rising-income-inequality-costing-social-security/

We propose to gradually increase the tax cap to again cover a larger percent of earnings and provide peace of mind to workers of all ages that they can count on the program to be there for them and their children. [21]

Conclusion:

Social Security is clearly the bedrock of our nation's retirement security and an indispensable lifeline for our nation's seniors, disabled, widows and orphans. Any attempts at reforming Social Security must recognize the importance of these benefit enhancements to secure social security for the future and demonstrate that Washington is listening to what Americans say they want.

[21] "Strengthening Social Security for the Long Run," National Academy of Social Insurance Social Security Brief, 2010. Available at https://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf

Chairman LARSON. Thank you, Ms. Zapote.

And now Mr. Biggs, you are recognized. Please proceed.

STATEMENT OF ANDREW BIGGS, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE

Mr. BIGGS. Thank you, Chairman Larson, Ranking Member Reed, and Members of the Committee.

The title of my testimony today is the Need for Evidence-Based Policy on Social Security. Evidence-based policy means that we reform Social Security based upon the facts, not upon our fears. While those facts may call for increasing benefits for certain vulnerable populations, the data clearly do not indicate the need for broad-based, across-the-board benefit increases.

According to Gallup, 80 percent of current retirees say they have enough money not just to get by but to, quote, live comfortably. While a majority of Americans told a Vanguard survey, they fear the country as a whole faces a retirement crisis, only 4 percent of current retirees described their own financial situation in those terms.

In a 2019 multi-country survey by ING, only 9 percent of U.S. retirees described their incomes as severely inadequate, versus 33 percent in France and Germany, who spend roughly twice as much as the U.S. on their Social Security programs. Today, the median U.S. retiree has a disposable income on par with Switzerland and higher than in Sweden, Denmark or the Netherlands. How can this be?

The answer is that Americans save much more for retirement than people in other countries. Of 70 countries for which the OECD gathered data, only five had higher levels of retirement plan assets than the United States. Moreover, U.S. retirement savings today are more than six times higher than when traditional defined benefit pensions were at their peak. More Americans participate in 401(k)s than ever had a traditional pension. And with 401(k)s, both employers and employees contribute, boosting savings versus traditional pensions where only employers contributed.

The result is that U.S. retirement incomes are growing rapidly. From 1990 to 2012, the median retiree household's income grew by 32 percent above inflation, versus only 11 percent income growth for near retirees aged 50 to 59. The faster growth in incomes is evident for both low and high-income retirees.

Mr. Chairman, you mentioned the recent Federal Reserve study and the decline in household wealth since the great recession, which is mostly attributable to the popping of the housing bubble. In essence, the disappearance of wealth that never really existed. But those same Fed data show the incomes for median new retirees rose by 11 percent since the recession, while incomes for working-age households fell. Recent Census Bureau research show that typical retirees today have income equal to roughly 95 percent of their pre-retirement earnings, far above the 70 to 75 percent replacement rate that financial planners recommend.

The poverty rate among retirees has fallen dramatically in the past two decades and is below that for working-age households. This is good news for Social Security and we should embrace it rather than denying it.

While Social Security is significantly underfunded, there isn't a need to raise benefits for middle and upper-income households. Indeed, research concludes that middle and upper-income households would reduce their personal savings in response to higher expected Social Security benefits. You can see this around the world, where countries with more generous Social Security programs had lower levels of retirement savings. Lower saving would reduce long-term economic growth, as would the higher taxes needed to fund an across-the-board benefit increase. Economists differ on how much economic growth would decline, but there is no real debate on the direction of the change. Higher taxes and lower saving means slower economic growth.

But we can fill the gaps in Social Security's safety net, which is not nearly as effective as it could be. I have personally argued for a true blanket guarantee against poverty in old age, something neither current law Social Security nor any of the current proposed benefit expansions would provide. But absent such a guarantee, we can target benefit increases to vulnerable groups, such as widows, low-wage earners and divorced individuals. Such targeted benefit increases have been included in reform proposals for members of both parties and could form the basis of bipartisan compromise. And bipartisan compromise is what the nation needs.

Social Security reforms have never been passed on a partisan basis and attempts to do so today will almost surely fail. And failure is not a loss for a political party so much as a loss for the American people, who have seen Social Security's unfunded liabilities grow by the trillions while Congress has failed to act.

This is the committee with the greatest responsibility for Social Security's future. Members have an obligation to know the program and to know the data on Americans' retirement savings and retirement incomes. But more importantly, they have an obligation to reach out to other members in a spirit of compromise to find ways to secure and to improve Social Security for future generations.

Mr. Chairman, your suggestion of off-the-record discussions, question-and-answer periods where people can reach out to each other is precisely what is needed to move a bipartisan Social Security reform bill forward. Thank you very much.

[The prepared statement of Mr. Biggs follows:]

AMERICAN ENTERPRISE INSTITUTE

Statement before the House Committee on Ways and Means
Subcommittee on Social Security

Social Security: The Need for Evidence-Based Policymaking

Andrew G. Biggs, Ph.D.
Resident Scholar
American Enterprise Institute

March 13, 2019

Summary Points

- Social Security is significantly underfunded. To pay full promised benefits over the next 75 years would demand a 21 to 32 percent increase in Social Security tax revenues. The need for reform is clear.
- There is a case for targeted benefit increases to improve social protections for groups such as widows or low-earning workers.
- However, the case for across-the-board benefit increases is remarkably weak. Retiree incomes are rising substantially faster than working-age households' earnings. Retirees at all income levels have "replacement rates" approaching 100 percent, far higher than financial planners deem necessary.
- Low-income retirees have benefited from increases in Social Security benefit levels over time. This has helped reduce over-65 poverty from 9.7% in 1990 to only 6.7% in 2012. Poverty in old age is substantially lower than at other ages.
- Middle- and upper-income retirees have supplemented Social Security with rising private retirement plan benefits: more retirees are collecting higher benefits from private retirement plans than ever before. There is no rationale for raising taxes to boost Social Security benefits for middle- and upper-income retirees.
- Raising Social Security benefits for very low-earning workers would provide them with Social Security benefits that exceed their pre-retirement earnings. This would eliminate any reason to save and would encourage early retirement.
- Expanding Social Security requires significant tax increases that will impact all Americans. Low-income households might take on additional debt to maintain their lifestyle. High-income Americans would be subject to one of the highest marginal tax rates in the OECD. Eliminating the payroll tax ceiling would increase Social Security tax revenues, but cause significant losses to federal income tax, Medicare tax and state income tax revenues.
- Despite claims of a "retirement crisis," Americans are world-class retirement savers. U.S. retirement plan assets as a percentage of GDP exceed all but a few countries worldwide. The median U.S. retiree has a disposable income on par with retirees in Switzerland.

All Americans Deserve a Secure Retirement

All Americans want a secure retirement for themselves and for their families, friends, and countrymen. To achieve that goal, America needs an evidence-based approach to retirement income policy: an approach based on facts rather than fears and data rather than anecdotes.

The U.S. retirement system seems fractured and it is far from perfect. But it also is flexible and innovative. Changes that are seen as harmful to retirement security, such as the shift from traditional pensions to 401(k)-type plans, have actually made retirement saving more widespread and boosted savings to levels far above those during the so-called "golden age" of defined benefit pensions. More Americans are saving more for retirement than ever before. Retirement incomes are rising rapidly for rich and poor retirees alike, even as poverty in old age has fallen to its lowest levels ever.

There is a threat to Americans' retirement security, but it is not from households who haven't saved enough in their 401(k)s. In fact, a 2017 World Economic Forum study concluded that only 15 percent of the total U.S., retirement savings gap was attributable to undersaving by households or underfunding of corporate pensions. The other 85 percent was from the government failing to fund the retirement benefits it has promised, from Social Security to public employee pensions at all levels of government.[1]

Certain Social Security benefit increases are warranted and could improve the system. But middle and upper-income retirees do not need increased Social Security benefits. The more important task for Congress is to resolve Social Security's long-term unfunded obligation, which has risen from $3.7 trillion to $12.2 trillion over the past decade.

In resolving Social Security's funding shortfall, the policy debate is often between tax increases and benefit reductions. I generally favor the latter, as middle and upper-income households can and will increase their personal saving and delay retirement in order to make up for reductions to future benefits. Lower-income households are unlikely to respond as strongly, and I favor maintaining or even increasing benefits on the low end.

However, when we think about "benefit cuts" it is important to distinguish between reductions to benefits that have already been earned versus reductions to the rate at which employees earn future Social Security benefits. It is one thing to take away a benefit for which a worker has already paid payroll taxes, but another to recognize fiscal reality and change the terms of the deal going forward. We can afford to pay most of the benefits that have already accrued to Americas via their work and taxes. But we must be honest with Americans and tell them that, going forward, Social Security must adopt a more sustainable benefit formula.

America Needs Social Security Reform

Social Security is principally a "pay-as-you-go" program in which current taxes are immediately used to pay benefits for current retirees. As a result, Social Security's' funding is very sensitive

[1] World Economic Forum. "Global Pension Timebomb: Funding Gap Set to Dwarf World GDP." 26 May 2017

to the number of workers paying in and the number of beneficiaries collecting money out. Currently, there are about three workers for each beneficiary. Due to low birth rates and rising longevity, in the future that worker-to-beneficiary ratio will fall to only two-to-one. This demographic math implies that, as a percentage of workers' wages, the cost of paying Social Security benefits will rise.

Two bodies make more detailed long term projections of Social Security's funding health: the Social Security Trustees and the Congressional Budget Office. The Social Security Trustees project that over the next 75 years Social Security is underfunded by an amount equal to 2.84 percent of taxable payroll. For simplicity, this figure implies that if the 12.4 percent Social Security payroll tax were immediately and permanently increased by 2.84 percentage points to 15.24 percent, the program's combined trust fund would remain solvent for 75 years, though not beyond. Put another way, Social Security is underfunded by about 17 percent over 75 years, which must be addressed by a combination of current or future revenue increases or benefit reductions.

The Congressional Budget Office projects a larger 75-year shortfall, measured at 4.4 percent of taxable payroll. This implies that Social Security is underfunded by 24% over the next 75 years.

The Social Security Advisory Board's 2015 Technical Panel on Assumptions and Methods gathered a group of experts to make recommendations to the SSA. The Technical Panel's recommended changes to the Trustees' assumptions would have produced a 75-year shortfall somewhere between the Trustees and the CBO in size. So while Social Security's future finances are inherently uncertain, we can be confident that a shortfall exists and that it is substantial in size.

There is no realistic chance that Social Security will "fix itself" via higher economic growth or other changes to the underlying factors that affect the program's finances. So America needs Social Security reform, and the sooner the better. Congress's failure to pass Social Security reform over the post thirty years has demonstrated poor stewardship of the federal government's largest program.

The question for today's hearing, however, is whether America needs Social Security benefit *increases*. While targeted benefit increases may be warranted, the evidence supporting across-the-board benefit increases is far weaker.

Targeted Benefit Increases May Be Warranted

While Americans may increase their retirement incomes by raising their retirement saving, there still is room for targeted Social Security benefit increases. Many of the benefit increases cited by today's other witnesses bear consideration. Among these are:

Increased widow's benefits: At the time a retiree becomes widowed, household Social Security benefits are reduced by between one-third and one-half, even though the widow(er)'s cost of living does not decline by that amount. Increasing the Social Security survivor's benefit to 75 percent of the couple's prior benefit could prevent hardship at a reasonable cost to the program.

Benefit increases for low-wage workers: A number of reform proposals from both Democrats and Republicans would boost benefits for low-earning workers with long working careers. These proposals have the advantage of focusing benefit increases on low earners without also boosting benefits for middle and high-income retirees. For instance, both the Social Security 2100 Act and former Rep. Sam Johnson's "Social Security Reform Act of 2016" contained provisions to boost benefits for retirees who worked many years at low wages, although these provisions functioned in different ways.

At the same time, benefit increases for low-wage, long-career employees target a population that is very small. Fortunately, very few Americans are forced to work long careers at very low wages. However, a larger group that reaches retirement with low benefits and poor savings is workers with shorter working careers. These retirees would benefit little from long-career focused proposals. In assisting these shorter-career workers, who are likely at greater risk of poverty in old age, policymakers need to balance Social Security's "earned benefit" and its social insurance components. There is no obvious answer, but the trade-off should be borne in mind.

Cost of Living Adjustments: A case can be made for raising Social Security COLAs. Just not the case that's actually *being* made.

Social Security is a social insurance program, and insurance improves our well-being by making payments at times and to participants who need them the most. Thus, it would not be unreasonable for Social Security to focus more of its resources on the very old, who cannot work and whose other assets may have been drawn down, and less on younger beneficiaries who could continue to work if needed. Thus, reducing initial Social Security benefits and then applying a larger COLA to those benefits over time could make Social Security more effective in protecting retirees.

However, the case we most often hear is that the CPI-W used to set COLAs understates' seniors' cost of living and needs to be increased simply to maintain the purchasing power of those benefits. That argument is weak, for several reasons. First, the CPI-W is known to suffer from "upper-level substitution bias," a technical weakness that causes it to overstate the true rate of inflation. For that reason, the Congressional Budget Office, the Federal Reserve and other agencies use different measures, such as the PCE deflator and the CPI-U-RS that tend to show lower rates of inflation than the CPI-W used to set COLAs. Second, while the CPI-W does not account for retirees' higher spending on health care, the CPI-W's treatment of housing costs can make retirees seem poorer when in fact they are growing richer. When housing prices rise, the CPI-W counts that as an increase in the cost of living and Social Security COLAs rise accordingly. However, 82 percent of retirees own their own homes. This means that they are beneficiaries of an increase in the price of an asset they own, not consumers who must pay higher prices for housing.[2] From 1998 to 2018, the CPI-W net of housing costs grew by an annual rate of 1.9 percent, an annual difference of 0.3 percentage points versus the overall CPI-W. I am in favor of a CPI that accurately tracks changes in the costs of the things that retirees

[2] See Biggs, Andrew. "Rising Home Prices Cause False Increase In Retirees' Cost Of Living." Forbes.com. Oct 18, 2018.

actually purchase. However, my best guess is that an accurate measure of inflation in retirement would likely produce lower COLAs, not higher ones.

Most Americans, including most low-earners, have adequate retirement incomes

Many policymakers from across the political spectrum have proposed *targeted* benefit increases over the years. I have argued myself for increased benefits for low earners to produce a *true* minimum benefit that guarantees *all* retirees – not just a select few – from falling into poverty in retirement.[3]

But do retirees need *across-the-board* Social Security benefit increases? The answer is almost certainly no.

Retirement Incomes as Percent of Pre-Retirement Earnings			
	Percentile of income distribution		
	25th	50th (median)	75th
Average of 15 years prior to retirement (inflation-adjusted)	$28,402	$45,209	$66,949
Income five years following retirement	$26,553	$42,334	$64,346
"Replacement rate"	93%	94%	96%
Target replacement rate (from Myers, 1993)	80% to 85%	70% to 75%	65% to 70%
Source: Bee and Mitchell (2017). Census Bureau research based on IRS income tax data.			

Typical retirees at all income levels meet or exceed "replacement rates" of pre-retirement earnings that are recommended by experts. Recent Census Bureau research shows that the median retiree in 2012 had an income equal to 94 percent of pre-retirement pay,[4] well above the 70 to 75 percent replacement rate recommended in research by former SSA Chief Actuary Robert Myers.[5] And low- and high-income retirees had high replacement rates as well. At the lowest 25th percentile of the income distribution the average replacement rate was 93%, and it was 96% at the 75th percentile. Other recent research by economists at the Investment Company Institute and the Internal Revenue Services, which compares retirement incomes to incomes in the year prior to retirement, finds even higher replacement rates.[6]

These replacement rates based on IRS data are much higher than many might guess. What accounts for the health of Americans' retirement incomes? First, Social Security replacement rates are more generous for low-earning workers than one might think. The table below analyzes Social Security replacement rates for stylized workers of different earnings levels created by the SSA Office of the Chief Actuary. I assumed these workers retired at the full retirement age of 66

[3] Biggs, Andrew G. "A New Vision for Social Security." *National Affairs* 16 (2013): 37-52.

[4] Bee, Charles Adam, and Joshua Mitchell. "Do Older Americans Have More Income Than We Think?" (2017). U.S. Census Bureau working paper.

[5] Myers, Robert Julius. *Social Security*. Univ of Pennsylvania Press, 1993.

[6] Brady, P.J., Bass, S., Holland, J. and Pierce, K. (2017). 'Using Panel Tax Data to Examine the Transition to Retirement.' Presented at the 2016 NTA Annual Conference on November 12, 2016. Draft of April 7, 2017. https://www.irs.gov/pub/irs-soi/17rptransitionretirement.pdf

in 2015. Like the Census Bureau analysis above, I measure replacement rates relative to the 15 years of inflation-adjusted earnings prior to retirement.

Social Security Benefits and Replacement Rates for SSA Stylized Earners					
	SSA Stylized Earning Level, Retiring at 66 in 2015				
	Very low	Low	Medium	High	Maximum
Annual earnings (percent of national average wage)	25%	45%	100%	160%	242%
Earning group as percent of retirees	19.0%	22.5%	29.8%	20.1%	8.5%
Social Security Benefit at Age 66	$8,868	$11,602	$19,115	$25,342	$30,834
Average Real Earnings, 15 Years Prior to Retirement	$10,133	$18,230	$40,508	$64,808	$110,070
Pre-tax Social Security Replacement Rate	88%	64%	47%	39%	28%
Post payroll tax replacement rate (6.2% current law rate)	93%	68%	50%	42%	30%
Benefit Increases in Social Security 2100 Act (percent)	25%	10%	10%	2%	2%
Social Security 2100 Act: Post-Payroll Tax Replacement Rate (7.4% rate)	118%	75%	56%	43%	31%

"Very low" wage earners, who make up roughly the poorest fifth of retirees, receive Social Security benefits equal to 88% of their pre-retirement earnings. Moving up to SSA's stylized "low" wage earners, who are roughly the second quintile of the earnings distribution, the Social Security replacement rate is 64%. These replacement rates are higher if we look at pre-retirement earnings net of the 6.2% Social Security employee payroll tax: in that case, net-of-taxes replacement rates rise to 93% and 68%, respectively.

Now consider how these workers would be treated under the Social Security 2100 Act, which would both increase their retirement benefits and raise their payroll taxes to finance them. For the "very low" worker, the net-of-taxes replacement rate would rise to 118%, meaning that they would have a higher income in retirement than while working.[7] These individuals not only would rationally save nothing for retirement, they would claim benefits as soon as they were able. The "low" wage worker's net-of-taxes replacement rate would rise to 75%; these workers would save less for retirement. These higher Social Security replacement rates would also probably encourage more low-wage workers to apply for Disability Insurance benefits.

But these Social Security figures do not explain why middle and higher-income retirees have such high replacement rates. The second factor is that more retirees are collecting higher benefits from private retirement plan benefits than ever before. As a result, retirees' incomes have increased significantly faster than those of near-retirees.

[7] Author's calculations based on Office of the Chief Actuary, Social Security Administration analysis.

Increases in Real Incomes, 1990 to 2012			
	25th	50th	75th
Households aged 65 to 74	31%	32%	36%
Households aged 50 to 59	4%	11%	20%
Sources: Ages 65-74, Bee and Mitchell (2017); ages 50-59, Current Population Survey.			

Census Bureau analysis of IRS tax data finds that from 1990 to 2012, the inflation-adjusted income of the median retiree aged 65 to 74 increased by 32%. For the median near-retiree aged 50 to 59 the real increase in household incomes from 1990 to 2012 was just 11%.[8]

In other words, retirees' incomes are growing much faster than the incomes of near-retirees, which is precisely the opposite of what you would expect if America had a severe retirement savings problem. The same goes for low- and high-income retirees. Almost certainly, the faster growth of incomes for retirees rather than for near-retirees implies increased retirement security, which is difficult to square with a pressing need for an across-the-board Social Security benefit increase.

IRS data also show that poverty in old age has fallen dramatically, from 9.7 percent in 1990 to just 6.7 percent in 2012.[9] No other age group has such low poverty rates or such a significant decline in the risk of falling into poverty. Why would a low-income worker save more for retirement, and thus push his standard of living closer to poverty, when his risk of poverty is already much lower in retirement than during his working years?

This same pattern is shown when individuals' incomes are followed year-by-year as they shift from work into retirement. Five years prior to claiming Social Security benefits, 5.5 percent of Americans have incomes below the poverty threshold. Five years following retirement, only 3.6 percent of Americans have sub-poverty level incomes.[10]

Funding Benefit Enhancements: Tax Rates and Tax Revenues

To pay full scheduled Social Security benefits would require an increase in tax revenues of between 21 and 32 percent over levels already set in current law, depending upon whether we reference the Trustees or SSA projections. To expand Social Security requires higher taxes still. Good policymaking considers costs as well as benefits.

The Social Security 2100 Act, the most prominent benefit expansion bill in the House, increases taxes in two ways. First, the 12.4 percent Social Security payroll tax would gradually increase to 14.8 percent. Second, the ceiling on wages subject to payroll taxes would be phased out, by imposing Social Security taxes on earnings above $400,000. Since that $400,000 threshold is not indexed for inflation while the Social Security payroll tax ceiling (currently $132,900) rises each year along with nominal wage growth, eventually the payroll tax would apply to all earnings. This means a nearly 15 percentage point effective marginal tax increase not merely on

[8] Source: Author's calculations from the Current Population Survey.

[9] Bee and Mitchell (2017).

[10] Bee and Mitchell (2017).

millionaires and billionaires, but on upper middle-class households looking to pay off their mortgage, fund college for their kids or save for retirement.

Payroll taxes reduce take-home pay both directly and indirectly. The direct effect is via the employee share of the tax, which would gradually rise from 6.2 to 7.4 percent in the Social Security 2100 Act. The indirect effect is via the rising employer payroll tax. Most economists, as well as both the SSA actuaries and the CBO Social Security analysts, assume that employers fund payroll tax or other employee benefit increases by holding back on employee wages. Thus, employees would bear the full cost of higher Social Security taxes.

A payroll tax rate increase would affect all employees, including low and middle-income workers. Low-income workers are least prepared handle lower take-home pay, and there is recent research that suggests low-income workers might respond to higher payroll taxes by increasing household debt.[11]

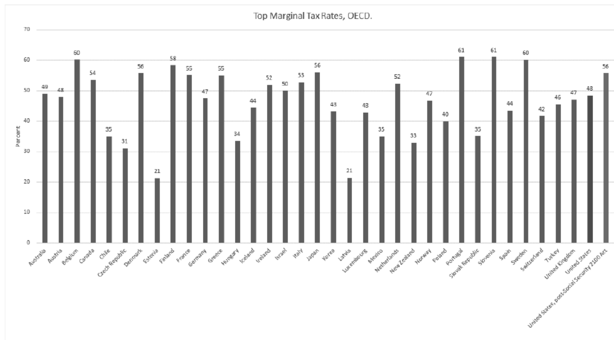
Phasing out the payroll tax ceiling would likely have larger economic effects, because the tax increase on affected employees would be much larger and those employees already pay much higher income tax rates. Currently, the top marginal federal income tax rate is 37 percent. On top of that, high earners pay an additional 2.35 percent Medicare payroll tax. Income tax rates differ from state to state, but in high earning states like New York, California, New Jersey and Connecticut top income tax rates range from 7.0 percent to 13.3 percent. Assuming an average top state tax rate of 9.0 percent, the top "all-in" U.S. marginal tax rate in 2019 is 48.35 percent.

By imposing Social Security payroll taxes on earnings above $400,000, the Social Security 2100 Act would immediately increase the top all-in tax rate on earned income from approximately 48.35 percent to 54.55 percent. As the 6.2 percent employee payroll tax rate increased to 7.4%, the top marginal tax rate would increase to 55.75 percent.

However, the *effective* top tax rate would increase even further, because employers would immediately pay an additional 6.2v on employee earnings above $400,000, gradually increasing to 7.4 percent. These new employer costs would be passed on to employees via lower employee wages. This reduction in employee wages acts as an additional additive increase in the marginal tax rate as it reduces employees' take-home pay in exchange for an additional unit of work. In this sense, the effective top marginal tax rate in terms of economic incentives would rise to 63.15 percent.

The chart below compares the U.S. top marginal tax rate to that of other OECD countries. At present, the U.S. top marginal tax rate is ranked 16th out of the 35 OECD countries. With only the employee-side tax increase included in the Social Security 2100 Act, the U.S. top marginal tax rate would be ranked the sixth-highest out of 35 OECD countries.

[11] Beshears et al. found that when less-educated federal employees were automatically enrolled in the Thrift Savings Plan, they reacted by increasing their mortgage, auto loan and credit card debt. See Beshears, John, James J. Choi, David Laibson, Brigitte C. Madrian, and William L. Skimmyhorn. "Does Borrowing Undo Automatic Enrollment's Effect on Savings?" Working paper, 2016.



Despite these higher tax rates, the additional revenues collected under the Social Security 2100 Act could end up far lower than expected. This occurs for two reasons, as shown by progressive-leaning economists Emmanuel Saez and Jeffrey Liebman.[12] First, when employers are required to pay higher payroll taxes they reduce the wages paid to employees, and those lost employee wages are then no longer subject to federal incomes, Medicare payroll taxes and state income taxes. This effect is well-understood and non-controversial. Second, employees respond to higher tax rates by working less or shifting incomes to avoid taxes. This effect also is widely understood, but there is no agreement on the degree to which it takes place. But Saez and Liebman conclude that using assumptions they consider to be mainstream, lost tax revenues due to employer and employee responses would offset half the gross revenue increases from eliminating the Social Security payroll tax ceiling. Assuming a more aggressive employee behavior response, which is supported by some research, the net revenue increase would be zero: reductions in federal payroll and income taxes and state income taxes would offset all of the revenue increases from eliminating the Social Security taxable maximum.

It is *absolutely essential* that a full unified budget analysis of a Social Security expansion act be conducted by the CBO and Joint Committee on Taxation before Congress consider passing such legislation.

It is worth noting that, despite some favoring a repeal of the Social Security payroll tax ceiling, uncapped payroll taxes are unusual in other developed countries. As the OECD states, “Most countries set a limit on the earnings used to calculate both contribution liabilities and pension benefits. The average ceiling on public pensions for 20 countries is 191 percent of average worker earnings, excluding four countries with no ceiling on public pensions.”[13] U.S. Social

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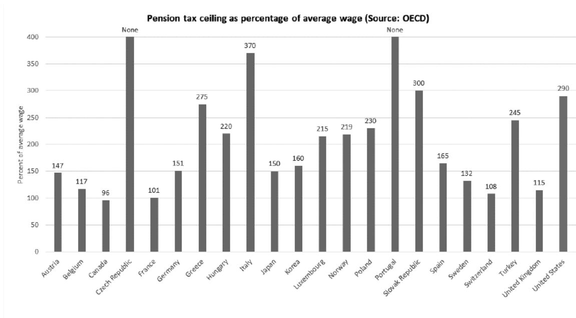
[12] Liebman, Jeffrey, and Emmanuel Saez. “Earning responses to increases in payroll taxes.” National Bureau of Economic Research, 2006.
[13] OECD. “Pensions at a Glance 2013 OECD and G20 Indicators: OECD and G20 Indicators.” 2013.

Security taxes are levied up to 264 percent of the average wage, meaning that the U.S. already imposes payroll taxes further up the income distribution than the typical OECD country.



If Retirees Need Higher Incomes, Most Would Prefer to Save More on Their Own

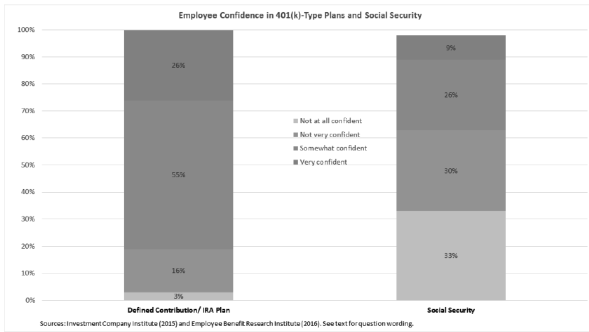
If Americans desire higher retirement incomes, higher Social Security benefits financed via higher taxes are not the only approach. A second way to increase retirement incomes is through higher savings in private retirement plans such as IRAs or 401(k)s.

From an economic standpoint, private savings are indisputably the better way to raise retirement incomes. Why? Higher savings increase economic growth by providing more money for equipment and research. Higher taxes reduce economic growth by causing employees to work less. Experts differ on how much savings increase or taxes decrease economic growth, but there is little disagreement on the direction of the two effects.

But what would Americans themselves prefer? Either higher saving or higher Social Security taxes would reduce households' current take-home pay. But if households themselves prefer one approach to the other, we should give it stronger consideration.

Opinion surveys show that Americans are far more confident in their own savings than they are in the Social Security benefits they have been promised. Eighty-one percent of Americans with 401(k)s or IRAs are "very confident" or "somewhat confident" that their plans will help them attain retirement security. By contrast, only 35 percent of Americans are very or somewhat confident they will receive the Social Security benefits they have been promised. Sixty-three percent of Americans are "not very" or "not at all" confident in Social Security.[14]

[14] Sources: The Investment Company Institute and the Employee Benefit Research Institute.



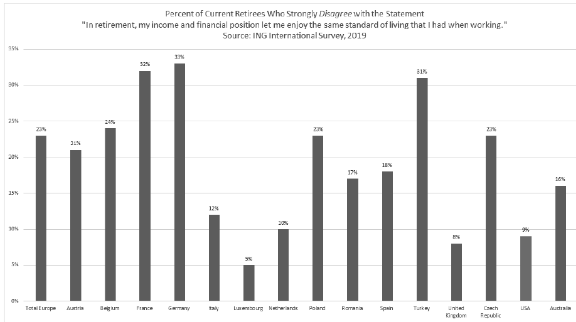
There is good reason for these differences. While 401(k)s have been improved in important ways in recent years, such as via the introduction of auto-enrollment and target date funds and reductions in account fees – Congress has gone three decades since Sen. Daniel Patrick Moynihan (D-NY) warned of the need to reform Social Security, yet has failed to act. Some Members of Congress have served entire careers in the House or Senate without even sponsoring, much less passing, Social Security reform legislation.

This survey results have a tangible policy implication: if Americans need to save more for retirement, it is difficult to believe they would not prefer to do so via their own IRA or 401(k) rather than paying more money into Social Security in hopes of receiving higher benefits once they retire.

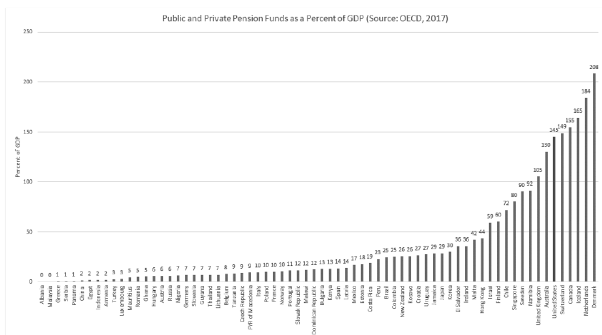
America: World-Leading Retirement Savers

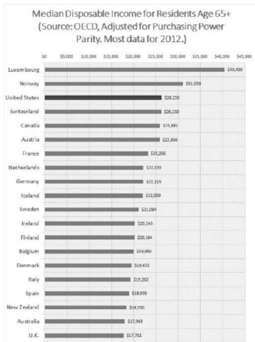
Proponents of Social Security expansion argue that without it, America faces a crisis of inadequate retirement savings. But other countries face the same retirement issues as the US. How are they faring?

In a recent ING survey of 15 countries, in only two – the United Kingdom and Luxembourg – were retirees less likely to say they were unable to maintain their pre-retirement standard of living. Only nine percent of U.S. retirees in 2018 strongly disagreed with the statement “In retirement, my income and financial position let me enjoy the same standard of living that had when working.” In Europe, 23 percent of retirees – 2.5 times the U.S. rate – said they couldn’t maintain their previous standard of living. In France and Germany, which spend roughly twice as much more on government retirement benefits than the U.S., 3.5 times more retirees faced a “retirement crisis.” U.S. retirees also are much more likely to “agree” or “strongly agree” that they can maintain their pre-retirement standard of living, doing so at nearly twice the rate of European retirees.



The reason? Americans save far more for retirement than residents of other countries. Of 70 countries for which the OECD gathered data on retirement funds as a percentage of GDP, only five had higher levels of retirement savings than the U.S. And the OECD data for the U.S. don't include the $10 trillion in retirement savings held by households in IRAs, insurance contracts or other non-employer-based savings plans. On top of higher savings, the United States also has more favorable demographics than most other countries for its pay-as-you-go pension plan, Social Security.





The typical (or "median") U.S. retiree has a higher disposable income than in all but two OECD countries for which data are available.[15] The typical American retiree has a disposable income on par with retirees in Switzerland and higher than retirees in Canada, France, the United Kingdom and other high-income countries.

Comparing the U.S. to other countries leads to an inescapable conclusion: either America's retirement system works a lot better than its critics give it credit for or other countries are in a *lot* of trouble.

Americans Fear a "Retirement Crisis"…But Mostly for Other People

Advocates often cite opinion polls in which Americans express fears over retirement savings as if those fears were proof that a retirement crisis were truly in the making. Social Security benefit enhancements are a response to those fears.

In reality, while many Americans fear a "retirement crisis" for others, very few see one happening to themselves. A 2017 study by Vanguard found that 59% of pre-retirees and 44% of retirees agreed with the statement "I believe there is a national retirement crisis." And yet only 10% of pre-retirees and 4% of retirees agreed with the statement "I would describe my own retirement situation as a crisis." Vanguard found a nearly-identical pattern in three other countries: people are nervous about retirement, but those fears are mostly resolved once people retire themselves.[16]

Other data produce the same conclusions. For instance, while working age Americans have for many years feared they will not have a secure retirement, eight-in-10 U.S. retirees tell Gallup they have enough money, not merely to survive, but "to live comfortably." That's significantly higher than the roughly six-in-10 working-age households who say they can live comfortably.

Public policy should be governed by facts and data, not public opinion polls. At the very least, if we believe retirement incomes are too low we should first ask actual retirees how they are faring.

Summary

A Social Security solvency plan coupled with targeted benefit increases for vulnerable retirees makes sense and Congress should pursue such a plan promptly. Historically, the only Social Security reform plans that have succeeded have done so on a bipartisan basis. Those that were

[15] Disposable incomes include household incomes, then net out taxes while adding the value of social transfers such as government-provided health care.

[16] Madamba, Anna and Utkus, Steven. "Retirement Transitions in Four Countries." Vanguard Research, 2017.

attempted on party-line terms have failed. So elected officials from both parties should seek each other out to build understanding of mutual concerns and areas in which they differ. A Social Security solution is within our grasp, but only if representatives of both parties choose to reach out.

Chairman LARSON. Thank you, Mr. Biggs.

And we are now fortunate to be joined by Joan Entmacher. And you are now recognized and please proceed.

STATEMENT OF JOAN ENTMACHER, SENIOR FELLOW, NATIONAL ACADEMY OF SOCIAL INSURANCE

Ms. ENTMACHER. Thank you. Chairman Larson, Ranking Member Reed, and Members of the Subcommittee, I really appreciate the opportunity to testify today on ways to enhance Social Security benefits. I am a member of the National Academy of Social Insurance and a senior fellow. But the views I express today are my own. Although my testimony focuses on women, all of the options I describe would be available on a gender-neutral basis and would benefit others, including communities of color who have been disadvantaged in the workplace and in other ways.

Social Security's basic benefit structure has many features that are especially important to women but its benefits are modest. The average benefit for women 65 and older is less than $14,000 a year, about 80 percent of men's. Even so, women are more reliant than men on income from Social Security, making improvements especially important for them.

I will briefly describe ways that Social Security could address four challenges to women's retirement security. Other witnesses have described them and my testimony does focus on retirement benefits.

First, the gender wage gap. Benefits for women and others with low earnings could be improved by adjusting the regular benefit formula so that all workers, especially low and middle-income workers, receive a boost in their benefits. And/or reforming the special minimum benefit so that workers with substantial work histories but low earnings do not retire into poverty.

However, women with very short work histories might not be brought out of poverty even by a reformed special minimum benefit, although they would be helped. So Congress should also consider improving the Supplemental Security Income program.

The second challenge is unpaid caregiving as others have mentioned. Social Security could provide credit for caregiving work by counting some years of caregiving as years of coverage in a reformed special minimum benefit. It could also give earning credits for caregiving years in the regular benefit formula.

The third challenge are changed family structures. Today, most married women are in the paid labor force and families rely much more on the earnings of both spouses. Also, an increasing share of women, especially black women, will be ineligible for benefits as a spouse or surviving spouse because they never married or divorced without a marriage that lasted 10 years. So a package of reforms should include reforms to benefits that women earn both as workers and as spouses and surviving spouses.

Currently, a surviving spouse can receive a benefit worth up to 100 percent of the deceased spouse's benefit or her own benefit, whichever is higher. This helps many widows but many are still in poverty and the design does not work well for today's dual-earner couples. A new alternative benefit would provide a surviving spouse a benefit equal to 75 percent of the sum of the spouses' combined worker benefits up to a certain limit. That would increase benefits for the surviving spouse in low and moderate-income couples and allow a surviving spouse to benefit from the contributions that both have made to Social Security.

And the fourth challenge is longer life expectancy. Women, including women of color, face more years in retirement than men with fewer resources. Very few people know that both African American women and Latinas have longer life expectancies than white, non-Hispanic men. Their retirement security could be improved by adopting a cost of living adjustment like the CPI–E that accurately reflects the spending patterns of seniors and/or by providing a boost to benefits for long-term beneficiaries with lower benefits.

In conclusion, although women today are working more and earning more than women in past generations, substantial equalities still remain. And the more troubling fact is that we are not making great progress in reducing those inequalities. The gender wage gap has remained stagnant for the last 10 years. The participation of mothers in the workforce peaked several years ago. And that is because women still face incredible challenges combining work and family, the lack of family leave, the lack of schedules that work and the lack of affordable, good-quality child care. Women need enhanced Social Security benefits.

And fortunately, as the bill introduced by Chairman Larson has proved, it is possible both to enhance benefits and to make Social Security secure for future generations. And I really look forward to the work of this committee on both of those important issues. Thank you.

[The prepared statement of Ms. Entmacher follows:]

Testimony of Joan Entmacher
Senior Fellow, National Academy of Social Insurance

"Protecting and Improving Social Security: Benefit Enhancements"
Committee on Ways and Means, Subcommittee on Social Security
March 13, 2019

Chairman Larson, Ranking Member Reed, and members of the Subcommittee, thank you for the opportunity to testify at this hearing. It is an honor and a pleasure to be invited to discuss ways to enhance Social Security benefits for women.

I am currently a Senior Fellow at the National Academy of Social Insurance, a nonprofit, nonpartisan organization made up of the nation's leading experts on social insurance. Previously, for nearly two decades I served as Vice President for Family Economic Security at the National Women's Law Center, a nonprofit, nonpartisan organization that works to protect and promote equality and opportunity for women and girls. I directed its program to improve policies important to the economic security of women and their families, including Social Security. However, the views I express today are my own, and should not be taken to represent the views of either the Academy or the National Women's Law Center.

My testimony today will briefly discuss why improving Social Security is a key strategy for improving retirement security for women and some specific ways that Social Security benefits could be enhanced to help overcome the challenges that women continue to face in achieving a secure retirement.[1] Although my testimony is focused on women, all of the options I describe would be available on a gender-neutral basis and would benefit others who have been disadvantaged in the workplace or face similar challenges.

Improving Social Security benefits is key to improving women's retirement security

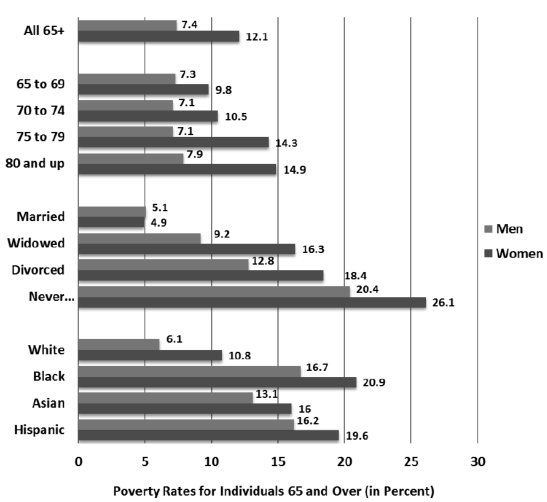
Social Security is the foundation of retirement security for most Americans, but it is especially important for women. Women rely more on income from Social Security than men do, even though women's Social Security benefits are lower.

The average annual Social Security benefit for women 65 years and older is 79% of men's ($13,891 v. $17,663).[2] Yet Social Security provides 45% of total income for unmarried women 65 and older (widowed, divorced, and never-married), compared to 33% of the income of their male counterparts.[3] And nearly half (46%) of unmarried women 65 and older rely on their Social Security benefits for virtually all (90% or more) of their income.[4]

Social Security is a universal program serving workers and their families across the income spectrum—but it is also the nation's most effective anti-poverty program.[5] Without income from Social Security, more than four in ten women 65 and older would be poor.[6] But despite Social Security, older women are at greater risk of poverty than their male counterparts—both overall and by age, race, ethnicity, and marital status (except for married women), as Figure 1 shows.[7] Gender is thus a key factor in elderly poverty, although it is not the only one; both men and women of color have higher poverty rates than white women 65 and older.

Figure 1 is based on data using the Census Bureau's official poverty measure. The Census Bureau also has developed a more comprehensive poverty measure, the Supplemental Poverty Measure (SPM), which takes account of certain out-of-pocket expenses and noncash and after-tax resources received by a household. Poverty rates for seniors are higher using the SPM than the official measure, largely because of out-of-pocket medical expenses. But an analysis of poverty data using the SPM shows the same pattern: women 65 and older are at greater risk of poverty than their male counterparts by age, race, ethnicity, and marital status.[8]

Figure 1. Poverty Rates for Men and Women, Age 65 and Over



Source: SSA, Income of the Population 55 and Older, 2014 (2016), Tables 11.1 and 11.2.

Improving Social Security benefits is the most effective way to improve retirement security for women. Its benefits are modest, but its basic structure has multiple advantages for women. Social Security provides secure benefits that can't be outlived, are not subject to the ups and downs of the stock market or depletion before retirement, and are adjusted annually for inflation—features that are especially important for women because of their longer life spans. Social Security is virtually universal, covering low-wage, part-time, temporary, and self-employed workers, and its benefit formula is progressive—especially important for women who are a large majority of low-wage and part-time workers. It provides automatic benefits to eligible spouses, surviving spouses, and divorced spouses—benefits available on a gender-neutral basis but relied on by women overwhelmingly.

But Social Security can be made even better. My testimony will outline enhancements to Social Security that can help overcome four of the challenges women face in preparing for a secure retirement: the gender wage gap; unpaid caregiving; changing family structures; and longer life expectancies.

1. **Addressing the persistent gender wage gap**

Social Security benefits are proportional to lifetime earnings, based on an average of the 35 highest years of earnings. The formula is progressive: workers with low lifetime earnings receive a benefit that represents a higher percentage of their pre-retirement earnings than higher earners do. But workers with higher career-average earnings receive higher benefits, and workers with very low lifetime earnings will receive very low benefits. Nearly four out of ten retired female workers receive a benefit that provides less than a poverty-level income, twice the rate for retired male workers: 38% of retired female workers, compared to 18% of retired male workers, receive benefits below $950 a month.[9]

Women have greatly increased their participation in the paid labor force and the gap between men and women's wages has narrowed over the past half century. But virtually no progress has been made in closing the gender wage gap over the past decade. [10]

The most recent Census Bureau data show that women in the U.S. who work full time, year round are typically paid only 80 cents for every $1 paid to their male counterparts, and the wage gap is worse for women of color. Black women working full time, year round, are typically paid 61 cents to every $1 paid to a white, non-Hispanic male; Latinas, 53 cents.[11]

The adequacy of Social Security benefits for women and other groups of workers with lower lifetime earnings could be improved by adjusting the regular benefit formula so all workers, but especially low- and middle-income earners, receive a boost in their modest benefits and/or reforming the Special Minimum Benefit to ensure that workers with substantial work histories but low earnings do not retire into poverty.

Enhancements to the regular benefit formula

Adjusting the regular benefit formula to make it more progressive would increase benefits for all workers, but lower lifetime earners, including women and people of color, would receive the largest percentage increases.

The first step in calculating a worker's benefit is to determine his or her career average earnings, based on the average of the 35 years of highest earnings adjusted for wage inflation (Average Indexed Monthly Earnings, or AIME). Next, the benefit formula is applied to determine the basic monthly benefit (Primary Insurance Amount, or PIA—the benefit an individual would receive if he or she began receiving benefits at the Full Retirement Age). Two dollar thresholds, known as bend points, divide the worker's AIME into brackets to calculate the PIA. The formula is progressive: the PIA is the sum of 90% of career average monthly earnings up to the first bend point ($926 for 2019); 32% of the amount between the first and second bend point ($927 and $5,583 in 2019); and 15% of average earnings above the second bend point up to the maximum amount on which workers pay Social Security tax ($5,584 to $11,075 monthly in 2019). The bend points and taxable maximum—but not the percentages—are adjusted every year for average wage growth.[12]

The adequacy of regular Social Security benefits could be enhanced in several ways:

- Increase above the current 90% the percentage applied to the portion of average monthly earnings below the first bend point. This would increase benefits for all beneficiaries, but workers with the lowest average earnings would see the largest percentage increase.
- Raise the first bend point so that more earnings are multiplied by the highest PIA factor (currently 90%). This would increase benefits for all individuals with average monthly earnings above the first bend point, and also would give larger percentage increases to workers with lower average earnings.
- Increase the percentage factor applied to earnings below the first bend point *and* raise the first bend point.

A Meaningful Special Minimum Benefit

Social Security has an alternative benefit formula, the Special Minimum Benefit (SMB). Instead of being based on average career earnings, the SMB is based on the number of "years of coverage" earned by the worker. It was intended to increase benefits for workers who had low earnings for many years. However, the current SMB is virtually meaningless.

Of 62 million Social Security recipients in 2017, fewer than 40,000 qualified for the minimum benefit, and the Social Security Administration estimates that the SMB will have no effect on workers turning 62 in 2019.[13] It also does little for those who receive it; the average increase in monthly benefits for those who received it in 2013 was about $46.[14]

The SMB has very stringent eligibility requirements. In 2018, to qualify for one "year of coverage" toward the SMB a worker must earn $14,310, compared to $5,280 to earn one year (four quarters) of coverage under the regular formula.[15] A woman working 35 hours a week, 50 weeks a year, at the federal minimum wage of $7.25 would earn $12,688—not enough to be credited with a year of coverage toward the SMB—and many low-wage jobs do not even provide such steady employment. A worker must have at least 11 "years of coverage" to receive any benefit from the SMB. Even workers with 30 "years of coverage" who qualify for the maximum SMB would receive a monthly benefit in 2018 of $849 ($10,188 annually)[16]—well below the federal poverty guideline of $12,140 for one person.[17]

The usefulness of the SMB has declined over time primarily because initial SMB benefits are indexed to price inflation, while initial benefits under the regular formula are indexed to the growth in wages, which generally grow faster than prices.[18]

Several adjustments to the SMB would make it a more effective tool for increasing the adequacy of Social Security benefits for lifetime low earners:

- Reduce the earnings needed to earn one "year of coverage" toward the SMB to the same amount required for regular Social Security credits, and allow workers to earn partial credit, as they can under the regular Social Security formula.
- Provide years of credit toward the SMB for years in which a worker was caring for a young child or other family member in need of care up to a certain limit (for example, 8 years). This would be especially helpful for single parents in low-wage jobs who struggle to stay in the workforce because of the high cost of child care and inflexible work arrangements.
- Increase the value of the benefit for workers with 30 years of credit to at least 125% of the federal poverty level for an individual.
- Index initial SMB benefits to wage growth, the way regular benefits are indexed, so that the value of the SMB does not erode over time.

Even a reformed SMB may be insufficient to lift women with shorter careers of low earnings out of poverty. Congress should also consider reforms to the Supplemental Security Income (SSI) program, a means-tested program administered by the Social Security Administration that is intended to provide a basic income floor to poor seniors and adults and children with disabilities who are poor.[19]

2. Valuing the work of caregivers

Women have dramatically increased their work in the paid labor force in the past 50 years, and participate at nearly the same rate as men, but they still shoulder most of the responsibilities of caring for children, elders, and other loved ones. Although men have increased the time they spend caregiving, women still spend twice as much time as men caring for children in the household.[20]

Because of caregiving responsibilities, women are more likely than men to take time out of the paid workforce—working part time or leaving temporarily or permanently. For some, the choice is entirely voluntary. Others are constrained by high child care costs, especially for infants and toddlers, the lack of family leave, and inflexible and unpredictable schedules, especially in the low-wage jobs predominantly held by women.[21] But whatever the reason, women pay an economic price for the unpaid care they provide to others, in immediate lost wages, often lower earnings over time, and fewer resources at retirement.[22]

In contrast to most of the countries in the European Union, the United States does not provide pension credits to individuals who take time out of the paid workforce for the socially and economically vital work of providing care to young children and sick or elderly relatives.[23] The only way Social Security currently provides support to caregivers is indirectly, through spousal benefits. But many single parents and other caregivers do not qualify for spousal benefits, as discussed in the next section on reforms to address changing family structures.

Retirement security for caregivers could be improved by counting some years of caregiving as "years of coverage" in a reformed Special Minimum Benefit, as described above, and/or providing earnings credits for caregiving in the regular benefit formula, as described below.

Earnings credits for caregiving

Social Security earnings could be imputed to workers with low or no earnings when they are providing care to a young child or other family member in need of care.

- If earnings in a given year when the worker was providing care were below a certain amount (for example, 50% of the average wage that year), the worker would be credited with additional earnings to bring her or his earnings up to 50% of the average wage. The number of years of caregiving credits would be limited (for example, to five years).

  These credits would give the largest proportional increase to workers with lower average earnings, but would also be available to a worker who had, for example, 30 years of high earnings and five years of zero or low earnings because of caregiving.

3. **Modernizing benefits for today's family structures**

Today's families are different from the solo breadwinner model Social Security's design reflects.[24] Most married women are in the paid labor force and households rely more on both spouses' earnings. More women, and more mothers, have never married or are divorced without a marriage that lasted 10 years—and are ineligible for Social Security's spousal benefits. As Figure 1 shows, while poverty rates for all groups of non-married women are three times higher than those for married women, the poverty rate among never-married women is the highest of all.

This is particularly a concern for black women. In 2009, about 34% of black women ages 50-59 did not have marital histories that would make them eligible for spousal benefits, compared to 17% of Hispanic women and 14% of non-Hispanic white women in the same age group.[25] To be equitable, a package of reforms to improve Social Security for women should include improvements to the benefits women earn through their own work in the paid labor force and as caregivers, like those described elsewhere in this testimony, as well as to spousal benefits.

Enhanced survivor benefits for dual-earner couples[26]

Social Security benefits were designed to provide basic income security for a worker's family. Workers earn benefits for a spouse that can be worth up to 50% of the worker's benefit, and up to 100% of the deceased worker's benefit for a surviving spouse, assuming no reductions for early retirement apply. A spouse who is also entitled to a benefit as a worker ("dually entitled") can receive the higher of her or his own worker benefit or the spousal benefit, but not both. Divorced spouses and surviving divorced spouses are eligible for the same benefits as their married counterparts, if they were married for 10 years.

The increase in women's earnings has substantially reduced their reliance on the 50% benefit for spouses. However, the benefit for surviving spouses will continue to be important: an estimated two-thirds of Gen-X wives (born 1966-1978) will outlive their husbands and have lower lifetime earnings, making them eligible for a survivor benefit.[27]

Social Security's spousal benefits were not designed for today's dual-earner couples. Under the current benefit structure, the surviving spouse of a single-earner couple will receive a benefit that is 67% of the couple's combined benefits, assuming both spouses claimed benefits at their Full Retirement Age. The surviving spouse of a couple with equal lifetime earnings will receive a benefit that is 50% of their combined benefits.[28]

The current design of the surviving spouse benefit presents issues of adequacy and equity. While the cost of maintaining a household declines when there is only one person to support, it does not fall by 50% or even 33%. Using the Census Bureau's poverty thresholds as a guide, a one-person elderly household needs 79% of the income of a two-person household to maintain the same standard of living.[29] The more equal the spouses' earnings, the greater the decline in household Social Security income at widowhood. And, if a dual-earner couple and a single-earner couple had the same household earnings and contributed the same amount to Social Security over their working lives, the survivor of the single-earner couple would receive a higher benefit than the survivor in the dual-earner couple.

Benefits for surviving spouses could be made more adequate and equitable by allowing a surviving spouse to benefit from the contributions both have made to Social Security. Surviving spouses could receive the higher of the current law benefit or a new alternative benefit that would:

- Provide a benefit equal to 75% of the sum of the spouses' combined worker benefits. To target the improvement to low- and moderate-income couples, the alternative benefit could be capped (for example, at the benefit a worker with lifelong average earnings would receive, currently, around $1,600).

  Example, Latoya's worker benefit is $900 a month, and her husband Jamal's is $1,200. As a widow, under current law Latoya would receive $1,200; as a widower, Jamal would continue to receive $1,200. Under this proposal, whichever spouse survived the other would receive $1,575 a month (.75*[$1,200+$900]).

Enhanced divorced spouse benefits

Many divorced women do not meet the requirement of a 10-year marriage to be eligible for benefits as a divorced spouse. As of 2009, both the typical first marriage that ended in divorce, and the typical second marriage for women who remarried that ended in divorce, lasted only eight years.[30]

To reduce the poverty rate among older divorced spouses, a reformed divorced spouse benefit could:

- Allow divorced spouses and divorced surviving spouses married five to nine years to receive a partial benefit based on the former spouse's work record.

4. Meeting the challenge of longer life expectancies

Women, including women of color, face additional years in retirement with fewer resources than men. The average life expectancy at age 65 of women overall is longer than that of men (20.5 years v. 18.0 years). The average life expectancy at age 65 for black women (19.6 years) and Hispanic women (22.6 years) is longer than that of white, non-Hispanic men (18.0 years).[31] And women face additional financial challenges as they age. They are more likely than men to need long-term care, face higher out-of-pocket medical expenses, and live alone.[32] As Figure 1 shows, poverty rates for women as they age increase more dramatically than for their male counterparts: from 9.8% for women 65-69 to 14.9% for women 80 and above v. from 7.3% for men 65 to 69 to 7.9% for men 80 and above.

A Cost of Living Adjustment that reflects seniors' living costs

The longer a beneficiary lives, the more inflation can erode the value of benefits. Social Security provides an automatic annual cost-of-living adjustment (COLA) that is especially important to women. However, the Consumer Price Index that Social Security uses to determine the COLA, the CPI-W, is based on the spending patterns of urban wage earners. Their consumption patterns are different from those of seniors, who spend twice as large a share of their budgets on health care as the population as a whole.[33] And health care costs have frequently risen at a faster rate than the other costs of goods and services.

To better maintain the purchasing power of Social Security benefits over the long term, Social Security's Cost of Living Adjustment could:

- Be based on an alternative measure of inflation developed by the Bureau of Labor Statistics, the Consumer Price Index for the Elderly (CPI-E), that takes account of the consumption patterns of older individuals, or similar index that more accurately measures the spending patterns of the elderly. [34]

Enhancements for older seniors at risk

Life expectancy differs by income, education, and race, as well as by gender; individuals of higher socio-economic status tend to live longer.[35] To target improvements to those who need them and maintain the progressivity of Social Security, benefits could:

- Be modestly and gradually increased for long-term beneficiaries with lower benefits, starting around age 80 for seniors and 18 years after eligibility for people with disabilities;

- Provide an increase of the same amount for all eligible retirees in the same cohort, rather than a percentage of the individual's benefit.

Conclusion

The challenges women face at retirement are rooted in the challenges they face long before they reach retirement. Congress should address those. But enhancing Social Security benefits—as Congress has done many times since Social Security was created—would make a meaningful difference in the lives of millions of women, today and for future generations.

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[1] The options outlined in this testimony draw on a paper by Entmacher, Waid, and Veghte, National Academy of Social Insurance, *Overcoming Barriers to Retirement Security for Women: The Role of Social Security* (Dec. 2016), at https://www.nasi.org/research/2016/overcoming-barriers-retirement-security-women-role-social-se, and proposals that have been advanced by policy makers, researchers, and advocates. Many are part of broader plans that also include proposals for increasing revenues that would pay for the improvements and strengthen Social Security's long-term financing.
[2] Social Security Administration, *Fact Sheet: Social Security Is Important to Women* (Aug. 2018), at https://www.ssa.gov/news/press/factsheets/women-alt.pdf
[3] Id.
[4] Id.
[5] Romig, Center on Budget and Policy Priorities, *Social Security Lifts More Americans Above Poverty than Any Other Program* (Nov. 2018), at https://www.cbpp.org/research/social-security/social-security-lifts-more-americans-above-poverty-than-any-other-program
[6] Id.
[7] Figure 1 from Entmacher, Waid and Veghte, supra n. 1.
[8] Morrissey, Economic Policy Institute, *Economic Snapshot: Women Over 65 Are More Likely to Be Poor Than Men, Regardless of Race, Educational Background, and Marital Status* (Mar. 2016), at http://www.epi.org/publication/women-over-65-are-more-likely-to-in-poverty-than-men/
[9] Entmacher, Waid and Veghte, supra n. 1.
[10] National Women's Law Center, *The Wage Gap: The Who, How, Why and What to Do* (Oct. 2018), at https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/10/The-Wage-Gap-Who-How-Why-and-What-to-Do-2018.pdf
[11] Id.
[12] Social Security Administration, *Primary Insurance Amount*, at https://www.ssa.gov/oact/cola/piaformula.html
[13] Congressional Research Service (CRS), *Social Security: Minimum Benefits* (Jul. 2018), at https://www.everycrsreport.com/reports/R43615.html
[14] Id.
[15] Id.
[16] Id.
[17] U.S. Dep't of Health and Human Services, *2018 Poverty Guidelines*, at https://aspe.hhs.gov/2018-poverty-guidelines
[18] CRS, supra n. 13.
[19] Center on Budget and Policy Priorities, *Policy Basics: Supplemental Security Income* (Aug. 2018), at https://www.cbpp.org/research/social-security/policy-basics-supplemental-security-income
[20] U.S. Dep't of Labor, Bureau of Labor Statistics, *Time spent in primary activities and percent of the civilian population engaging in each activity, averages per day by sex, 2017 annual averages*, Table 1, at https://www.bls.gov/news.release/atus.t01.htm
[21] Vogtman and Schulman, National Women's Law Center, *Set Up to Fail: When Low-Wage Work Jeopardizes Parents' and Children's Success* (2016), at https://nwlc.org/resources/set-up-to-fail-when-low-wage-work-jeopardizes-parents-and-childrens-success/

[22] Glynn and Corley, Center for American Progress, *The Cost of Work-Family Policy Inaction* (Sept. 2016), at https://cdn.americanprogress.org/wp-content/uploads/2016/09/22060013/CostOfWorkFamilyPolicyInaction-report.pdf
[23] Jankowski, *Caregiver Credits in France, Germany, and Sweden: Lessons for the United States*, Social Security Bulletin Vol 71, No. 4 (2011), at https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
[24] The "male breadwinner, female homemaker" model was never an accurate description of all families. For example, black women have long had higher workforce participation rates than white women and families have long been more reliant on their contributions.
[25] Social Security Administration, *Marriage Trends and Women's Benefits: Differences by Race-Ethnicity and Nativity* (Feb. 2014), at https://www.ssa.gov/policy/docs/research-summaries/marriage-trends-race-ethnicity.html
[26] In this testimony, "benefits for surviving spouses" refers to the retirement benefits that surviving spouses can claim when they reach a certain age. Social Security also provides benefits for surviving spouses of any age if they are caring for a child under age 16. See Social Security Administration, *Benefits Planner: Planning for Your Survivors*, at https://www.ssa.gov/planners/survivors/onyourown.html
[27] Sass, Center for Retirement at Boston College, *How Work & Marriage Trends Affect Social Security's Family Benefits* (June 2016), at http://crr.bc.edu/wp-content/uploads/2016/06/IB_16-9.pdf
[28] Surviving spouses can receive the higher of their own worker benefit or the deceased spouse's benefit, not both. Assuming no early retirement reductions, in a single-earner couple when both are alive, the spouse receives 50% of the worker's benefit and the worker receives 100%, for combined household benefits of 150%. The surviving spouse receives 100% of the worker's benefit, reducing the single-earner household's Social Security income to 67% of their combined benefit (100/150). In a couple with two equal earners, when both are alive, each receives 100% of their worker benefits, for combined household benefits of 200%. The surviving spouse receives one benefit, reducing this household's Social Security income to 50% of their combined benefit (100/200).
[29] Author's calculations based on U.S. Census Bureau's preliminary estimates of poverty thresholds for an individual 65 and older ($12,043) and a two-person household with a householder 65 and older ($15,190). https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html
[30] Kreider and Ellis, U.S. Census Bureau, Number, Timing, and Duration of Marriages and Divorces: 2009, Table 8 (2011), at https://www.census.gov/prod/2011pubs/p70-125.pdf
[31] Arias and Xu, Centers for Disease Control, *United States Life Tables, 2015* (Aug. 2018), at https://www.cdc.gov/nchs/data/nvsr/nvsr67/nvsr67_07-508.pdf
[32] Entmacher, Waid and Veghte, supra n. 1.
[33] Munnell and Chen, Center for Retirement Research at Boston College, *Do We Need a Price Index for the Elderly?* (2015), at http://crr.bc.edu/wp-content/uploads/2015/10/IB_15-18.pdf
[34] Id.
[35] Sanzenbacher, Webb, Orlova, and Cosgrove, Center for Retirement Research at Boston College, *Does a Uniform Retirement Age Make Sense*? (2016), at http://crr.bc.edu/wp-content/uploads/2016/01/IB_16-1.pdf

Chairman LARSON. Thank you very much, Ms. Entmacher.

And now we recognize Ms. Donna Butts. Please proceed and comment.

STATEMENT OF DONNA BUTTS, EXECUTIVE DIRECTOR, GENERATIONS UNITED

Ms. BUTTS. Thank you, Chairman Larson, Ranking Member Reed, and Members of the Subcommittee for the opportunity to testify about one of the most important intergenerational family support and social insurance programs in America, Social Security. For more than 80 years, Social Security has been the premier example of a policy designed to secure and insure the wellbeing of individuals and their families.

In addition to its well-known role in providing retirement security, the program provides many essential protections for people of all ages, including disability insurance and survivor's insurance. For many, it makes the difference between putting food on the table and deciding whether grandma or junior eats tonight.

The impact of Social Security programs can be seen in every community in the country. Accepting his Oscar recently, director Spike Lee thanked his grandmother, a Spelman graduate and daughter of a slave, who saved 50 years of Social Security checks and used those to put her Spikey-Pooh through college.

Another Social Security success is Congressman and former Speaker of the House Paul Ryan, who saved his Social Security survivor benefits that he began to get after his father died suddenly. Mr. Ryan used his Social Security savings to help pay for his own higher education.

And, as with Mr. Reed, Social Security has a personal connection to my family as well. My husband's father died when he was seven years old. And while he does not remember which Social Security check paid his family's household bills, he does remember taking advantage of the student benefit before it was eliminated in 1981, allowing him and his sister to be the first in their family to earn college degrees. That extra little bit made it possible for him to graduate and begin his career with a degree, without incurring the overwhelming student debt so many students and their families are harnessed with today. Imagine the impact reinstating the student benefit could have, helping students access trade schools and four-year colleges and universities today.

Social Security is a social insurance program that almost all workers pay into and, in return, qualify for and receive benefits. Social Security, whose framework was never meant to be set in stone, has been and should continue to be tweaked and strengthened, not dismantled or weakened. Social Security embodies an intergenerational compact. It lifts more children out of poverty than any other federal program. A 2016 study by the Center for Global Policy Solutions found the child poverty rate would increase by nearly 20 percentage points without Social Security benefits, both direct and indirect, from 25.5 percent currently to almost 43 percent.

Recently, Social Security has become even more important in light of the increase in the number of grandparents and relatives that are being called on to raise grandchildren, nieces and nephews because of the opioid epidemic. Twenty-six percent of grandparents who are raising grandchildren have a disability and even with Social Security, 19 percent live below the poverty line. Researchers from Penn State estimated that without Social Security, it would be closer to 59 percent. Grandparents and other relatives who step up and form a protective grandfamily around our country's children save our country more than $4 billion a year by keeping children out of the child welfare system. They deserve our respect and the critical financial support Social Security provides.

On behalf of Generations United, I make the following recommendations for strengthening Social Security and the support it provides our country's families, children and older adults. Reinstate the student benefit for survivors up to age 22 for youth who remain enrolled in college, to help today's students become the educated workforce our country's economy needs and lessen the overwhelming burden of student debt. Two, expand the eligibility for children being raised by grandparents and other relatives. Three, provide Social Security credits to caregivers. Four, protect and strengthen the program.

Generations United supports a strong and solvent Social Security program that meets its obligations for current and future beneficiaries. As the dialogue about how to achieve long-term solvency for Social Security continues, policymakers must consider how reforms will affect vulnerable children, people with disabilities, spouses of deceased workers, retirees, and families as a whole. This is a time to protect, strengthen and expand this critically important family protection program.

Robert Ball said Social Security is built on awareness that no one can go it alone. True generational equity means acting on that awareness so that those who come after us and who stand on our shoulders can see a little further and do a little better in their turn.

Now it is our turn. There is no better example of a policy solution that supports intergenerational solidarity than Social Security. It is designed to value and weave generations, reinforcing our interdependence so that each is stronger while helping our families and communities thrive.

Thank you again for the opportunity to speak on behalf of the vital income protections Social Security ensures for all generations.

[The prepared statement of Ms. Butts follows:]

Written Testimony of Donna Butts, Executive Director, Generations United
Protecting and Improving Social Security: Benefit Enhancements
United States House of Representatives
Committee on Ways and Means, Subcommittee on Social Security
Wednesday, March 13th, 2:00 PM

Thank you, Chairman Larson, Ranking Member Reed and members of the subcommittee for the opportunity to testify about one of the most important intergenerational family support and social insurance programs in America - Social Security. I am Donna Butts, executive director of Generations United, an organization which for more than 30 years has represented children, youth, families and older adults and advocated for the mutual well-being of people at all ages and stages of life. We believe our country's vast resources are better used when they connect generations instead of dividing them. We believe public policy can and should be used to build bridges of support between the generations and not strive to pit them against each other.

For more than 80 years Social Security has been the premier example of a policy designed to secure and insure the well-being of individuals and their families. In addition to its well-known role in providing retirement security, the program provides many essential protections for people of all ages including Disability Insurance and Survivors' Insurance. For many it makes the difference between putting food on the table and deciding whether grandma or junior eat tonight.

The impact of Social Security programs can be seen in every community in the country. Accepting his Oscar recently, director Spike Lee thanked his grandmother, a Spelman graduate who was the daughter of a slave, who saved 50 years of Social Security checks and used those to put her "Spikeypoo" through Morehouse College and NYU grad school.

Another Social Security success is former Congressman and Speaker of the House Paul Ryan who saved the Social Security Survivor Benefits he began receiving after his father died suddenly. His grandmother moved in with the family and with the help of her Social Security income's contribution to the household, Congressman Ryan's mother was able to go back to school and get the education she needed to support her family. Mr. Ryan used his Social Security savings to help pay for his own higher education.

Social Security has a personal connection to my family as well. When my husband's father died he was 7 years old. And while he doesn't remember which Social Security check paid his family's household bills, he does remember taking advantage of the Student Benefit before it was eliminated in 1981 allowing him and his sister to be the first in their family to go on and earn college degrees. That extra little bit made it possible for him to graduate and begin his career with a degree without incurring the overwhelming debt so many students and their families are harnessed with today.

And what a harness it is. In 2016, 53% of millennials carried student loan debt and 59% worried about being able to pay off their loans. All told in 2018 our country's student loan debt totaled

$1.5 trillion. Imagine the impact reinstating the Student Benefit could have helping students access trade schools and four-year colleges and universities today?

Social Security is a social insurance program that almost all workers pay into and in return qualify to receive benefits. Whether it is benefits that support older workers in retirement, people of all ages in case of disability or children whose parents die or are disabled, most Americans have been touched by this important source of family income. Social Security, whose framework was never meant to be set in stone, has been and should continue to be tweaked and strengthened, not dismantled or weakened, to ensure it continues to play a vital role.

Social Security embodies an intergenerational compact. It is a family support program that protects almost every child in America through Social Security Survivor's Benefits. It lifts more children out of poverty than any other federal program.

A 2016 study by the Center for Global Policy Solutions, *Overlooked But Not Forgotten: Social Security Lifts Millions More Children Out of Poverty*, reported the number of direct and indirect child beneficiaries jumped from 5.2 million in 2001 to 6.4 million in 2014. The study found that the growth is due almost entirely to the jump in children who are indirect beneficiaries because they live with extended family or in multigenerational households. This population grew from 2.1 million in 2001 to 3.2 million in 2014, while the number of direct child beneficiaries remained around 3 million during this period.

The same study found the child poverty rate would increase by nearly 20 percentage points without Social Security benefits (both direct and indirect), from 25.5 percent currently to almost 43 percent—a difference of more than one million children. For black children, the percentage in poverty would rise from 40 percent to almost 58 percent without any Social Security benefits.

Two-thirds of indirect child beneficiaries live in households with more than two generations or that consist of grandparents and grandchildren only. Generations United's report, *Family Matters: Multigenerational Families in a Volatile Economy*, released in 2011 included the results of a public opinion survey conducted with members of these families. Seventy-one percent said the multigenerational household arrangement improved the financial situation of at least one family member and 63 percent agreed that Social Security plays a vital role in the financial stability of the multigenerational household.

Recently Social Security has become even more important in light of the increase in the number of grandparents and relatives that are being called on to raise grandchildren, nieces and nephews, because of the opioid epidemic. The cover story of the Washington Post Magazine on January 27, 2019, "The Rise of the Grandfamily", highlighted the fact that as of 2017, 2.8 million young people, about 4 percent of American children, were being raised by 2.6 million grandparents. Nationally the number of children raised by their grandparents increased by nearly 15 percent between 2007 and 2017.

Twenty-six percent of grandparents who are raising grandchildren have a disability and, even with Social Security, 19 percent live below the poverty line. Researchers from Penn State estimated that without Social Security, it would be closer to 59 percent. As one grandmother said following the work-related death of her son "Social Security benefits made the critical difference in my ability to support my grandson rather than leave him to be raised by others."

Still many children raised by relatives because of the opioid crisis do not qualify for Social Security benefits because the parents are not deceased. They do not qualify as disabled, and although the relatives are raising the children full time, many have not adopted the children. They do not adopt because of the impact of family dynamics, cultural norms, legal costs, and/or hope that eventually the child's parent will be able to care for them again. In the vast majority of these cases, the relatives have stepped in to care for children to keep them out of the child welfare system. This means the family also does not qualify to receive the financial support of a foster care payment to help provide for the child's needs.

A new advisory board established by the 2018 Grandparents Raising Grandchildren Act will be looking across the federal government at supports and gaps in programs and services that enable strong grandfamilies. Social Security should be front and center as one of the most important successful, long established income supports for grandparent caregivers and the children they are raising. By stepping in and caring for children whose parents are unable to raise them, relatives save our country more than $4 billion by keeping children out of the child welfare system. Children in grandfamilies, who are frequently the victims of trauma, also fare better in relative-headed households. Compared to children with non-relatives, children with relatives have more stability and know their roots. They are more likely to be kept intact with brothers and sisters. They have a greater sense of belonging and are more likely report "always feeling loved."

As one young woman said, "Growing up with a childhood full of trauma and abuse, there were very few moments where I felt safe and very few people with whom I felt protected. Being put into my uncle's care was the best decision that could have ever been made for me. It wasn't an easy road by any means, but I have no doubt in that it completely saved my life."

Grandparents and other relatives who step up and form a protective grandfamily around our country's children deserve our respect and the critical financial support Social Security provides.

On behalf of Generations United and our members, I make the following recommendations for strengthening Social Security and the support it provides our country's families, children and older adults:

1-**Reinstate the Student Benefit** for survivors up to age 22 for youth who remain enrolled in college to help today's students become the educated workforce our country's economy needs and lessen the overwhelming burden of student debt. In 1965, Congress recognized the growing importance of a college education and extended Social Security child benefits through the age of 22 for those enrolled in college. The expanded eligibility of these benefits allowed young adults to complete their education without having to enter the workforce at 18 to support their families. Thousands of dedicated young adults were able to pursue higher learning thanks the the 1965 legislation. In 1981, however, Congress eliminated the Social Security student benefit. According to the National Academy of Social Insurance, of which I am a proud member, one-third of young people who would have enrolled in trade or four-year colleges did not because they lost their benefits when they turned 18 and needed to go to work. According to the 2016 study by the Center for Global Policy Solutions, such a program is estimated to cost less than 1 percent of taxable payroll for 75 years.

2- **Expand eligibility for children being raised by grandparents and other relatives.** Social Security benefits should be expanded to cover children being raised by grandparents or other relatives when the relatives have court-ordered legal custody of the children and/or when the children's parents' died or became disabled after their grandparents become eligible for Social Security. Currently children being raised by grandparents and other relatives may qualify for Social Security benefits if their parents are deceased or disabled or if the grandparents have adopted the child. A small number of children may qualify for a grandchild benefit if certain conditions are met, however, in many cases children being raised by relatives whose parents are not deceased or disabled do not qualify for benefits if they are not adopted by their relative caregivers.

3- **Provide Social Security credits to caregivers** when their earnings are affected by caring for elders, children or individuals with disabilities. Americans who step in to care for family members often need to leave the workforce or experience a reduction in work and earnings. This reduction impacts their Social Security benefits level. A caregiver credit would improve retirement security for Americans who step in to care for our country's children, people with disabilities, and our growing older adult population.

4- **Protect and strengthen the program**. Generations United supports a strong and solvent Social Security program that meets its obligations for current and future beneficiaries. As the dialogue about how to achieve long-term solvency for Social Security continues, policymakers must consider how reforms will affect vulnerable children, people with disabilities, spouses of deceased workers, retirees - and families as a whole. This is the time to protect, strengthen and expand this critically important family protection program.

Robert Ball said "Social insurance is built on awareness that no one can go it alone. True generational equity means acting on that awareness so that those who come after us and who stand on our shoulders, can see a little further and do a little better in their turn."

Now it is our turn. There is no better example of a policy solution that supports intergenerational solidarity than Social Security. It is designed to value and weave generations reinforcing our interdependence so that each is stronger while helping our families and communities thrive together.

Thank you again for the opportunity to speak on behalf of the vital income protections Social Security ensures for all generations.

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Chairman LARSON. Thank you, Ms. Butts. In fact, I thank all the panelists for your testimony and for your patience and perseverance. Intergeneration solidarity, I like that. It's a unique term.

So now our questioning will begin of our panelists. And I'd like to start with Bette Marafino from my home state of Connecticut. And, Ms. Marafino, you talk to seniors all over the state of Connecticut. Do you think that the current benefits that they receive are sufficient and is getting the job done for them?

Ms. MARAFINO. No.

Chairman LARSON. Could you expand on that?

Ms. MARAFINO. Yeah, in a word.

Chairman LARSON. I do not think it was clear enough. Could you expand?

Ms. MARAFINO. Yeah, I can. Last year, we did a health care study and we went and interviewed seniors and talked about their health care. Now, many of the seniors were living in low-income housing. And, to a person, they would say, I am scared to death that I am going to lose this. And what I have now is, you know, below the poverty line. And so they have a hard time.

And what I notice, we very often go to community centers and senior centers where there is a meeting for seniors and there is free lunch. Those lunches are filled with people and they usually come an hour ahead of time to make sure they have a seat. And many tell us, this is our only meal of the day, decent meal of the day.

And I live in Connecticut in an area that is a pretty prosperous area. But there are lots of people who need this. And so to enhance their Social Security would be a boon to them.

Chairman LARSON. Thank you. I wanted to submit for the record also, and I appreciated what Mr. Biggs had to say about evidence-based information. And I think that is vitally important to the decisions we have to make, especially I wanted to submit these Fed notes on the wealthless recovery, asset ownership and the uneven recovery from the great recession, and the disappearing employer pensions contributing to rising wealth inequality, both submitted by the fed.

[Rep. Larson—FEDS Notes follows:]

FEDS Notes

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September 13, 2018

A Wealthless Recovery? Asset Ownership and the Uneven Recovery from the Great Recession

Lisa Dettling, Joanne Hsu and Elizabeth Llanes

Aggregate measures of household wealth have broadly followed the business cycle. Between 2007 and 2009, American households as a whole lost 20 percent of their wealth.[1] Household wealth increased during the economic recovery from its nadir in the Great Recession, and by late 2012, aggregate household net worth surpassed its previous 2007 peak, and continued to grow through 2016.

These aggregate patterns obscure the extent to which gains from the recovery are shared across the population. Wealth is highly concentrated--as of 2016, 80 percent of aggregate wealth was held by only 10 percent of households (Bricker et al., 2017)--which suggests that aggregate wealth measures may insufficiently describe how most households fared financially in the recent economic recovery.[2] Such an analysis requires detailed microdata on the wealth of households, including enough coverage of the top of the wealth distribution to differentiate their experiences from those of the rest of the population.

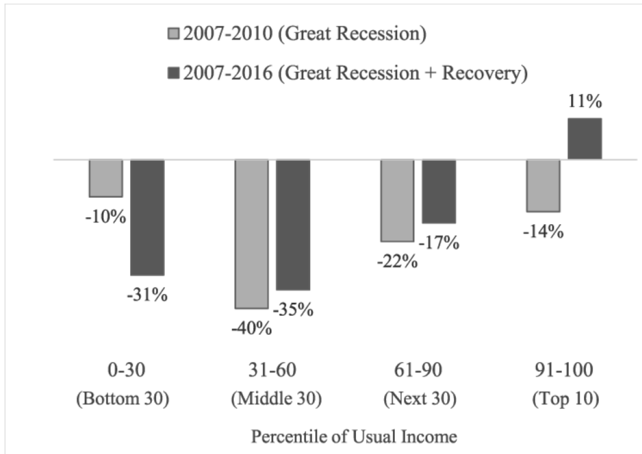
In this Note, we turn to data from the Federal Reserve Board's triennial Survey of Consumer Finances (SCF) to examine trends in the distribution of household wealth during the Great Recession and subsequent recovery. The SCF is ideally suited for our purposes because it includes an oversample of wealthy families and a weighting scheme that allows for comparisons across the entire distribution of wealth, including the very top. The SCF also allows us to construct a broad measure of household wealth that includes financial assets and liabilities (including IRAs and retirement accounts), the value of vehicles less any debt against them, the value of any homes or other properties owned less their debt, and the net value of any businesses.[3]

Trends in the distribution of household wealth during the Great Recession and recovery

We examine the evolution of wealth for different types of families, where families are grouped according to their reported "usual income." Usual income is a measure of family resources that smooths away temporary fluctuations in income, such as an unexpected bonus or a temporary unemployment spell. We divide the usual income distribution into four groups. First, given the well-documented concentration of wealth at the top, we separately examine the top 10 percent of families by usual income (the "Top 10"). Then, we split the other 90 percent of the distribution (the "Bottom 90") into three equal-sized groups: the "Bottom 30" (the bottom 30 percent), "Middle 30" (the 31st to 60th percentile), and the "Next 30" (61st to 90th percentile). We restrict our analysis to working-age households, defined as those headed by individuals between the ages of 25 and 64, to facilitate comparisons over time.[4]

Figure 1 displays changes in real mean wealth for the four income groups during the Great Recession and recovery, as captured in the triennial SCF.[5] The bars show changes in wealth since the 2007 SCF, or just before the onset of the Great Recession. The blue bars show changes in wealth through 2010--roughly the end of the Great Recession as captured in the triennial SCF. And the green bars show changes in wealth through 2016--the most recent survey year. This time period includes both the recession and a substantial portion of the recovery.

Figure 1: Percent changes in real mean wealth since the onset of the Great Recession



Source: Survey of Consumer Finances 2007-2016.

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During the Great Recession, wealth fell for all usual income groups, although some groups lost more wealth than others (Figure 1, blue bars). The Middle 30 experienced the largest percentage losses in wealth from $214,000 to $128,000. The Next 30 also faced substantial wealth losses, from $510,000 to $395,000. For the Bottom 30, wealth fell from $83,000 to $75,000. The Top 10's wealth dropped from $3.7 million to $3.2 million.

In 2016--well into the recovery--wealth remained below 2007 levels for all three subgroups in the Bottom 90, but the Top 10 had more wealth than in 2007 (Figure 1, green bars). In 2016, average wealth was $57,000 for the Bottom 30, $139,000 for the Middle 30, and $424,000 for the Next 30; all of these values were *below* 2007 levels. On the other hand, the Top 10's 2016 mean wealth was $4.1 million, well *above* the 2007 value.[6]

The Bottom 90 and Top 10 alike lost wealth during the Great Recession (figure 1, blue bars). However, the changes in wealth during the cumulative Great Recession and recovery period (figure 1, green bars) illustrate that the Bottom 90 and the Top 10 had vastly different experiences during the recovery. The Bottom 90 experienced little to no wealth gains, whereas the Top 10 experienced outsized gains. The remainder of this note will unpack some determinants and implications of families' varied experiences in the Great Recession and subsequent recovery.

Why did some families experience larger wealth losses 2007-2010?

Between 2007 and 2010, house prices fell 23 percent and stock prices fell 21 percent, but these changes affected household wealth differently for the Bottom 90 and Top 10.[7] The first reason for this differential effect stems from variation in families' portfolios before the Great Recession. In 2007, the primary residence represented more than a third of wealth of the Bottom 90, compared with 15 percent for the Top 10, making the Bottom 90's total wealth relatively more sensitive to changes in house prices (Table 1). Furthermore, families in the Bottom 90 also stored a non-negligible share of their wealth in stocks, making them sensitive to changes in stock prices as well. In contrast, families in the Top 10 held a relatively larger proportion of their wealth outside of these two types of assets, making their wealth less sensitive to changes in home and stock prices.

Table 1: Wealth concentration and leverage in 2007

	Bottom 30 (0-30)	Middle 30 (31-60)	Next 30 (61-90)	Top 10 (91-100)
Share of wealth in...				
...housing	45%	41%	33%	15%
...stocks	11%	15%	21%	24%
...other	44%	44%	46%	61%
Share of homeowners with mortgage LTV over 80 percent	13%	22%	16%	6%

Note: Stock wealth includes stocks held directly and indirectly. Housing wealth and debt includes the primary residence only.

Source: Survey of Consumer Finances.

A second reason for the differential effect of price declines in the Great Recession is differences in leverage. In particular, the Bottom 90 were more leveraged on their homes before the Great Recession and thus suffered larger proportional declines in wealth when house prices fell. Families in the Middle 30 were the most leveraged group: 22 percent of owners had mortgage LTVs of more than 80 percent (Table 1) and thus would have had their housing wealth erased by the 23 percent decline in home prices that occurred in the Great Recession. Because families in the Top 10 were considerably less leveraged on their homes than other families, their total wealth was more insulated from the house prices declines.

Why has the recovery been weak for the Bottom 90?

The patterns above can explain why families in the Bottom 90 experienced larger proportional losses during the Great Recession than the Top 10, but not why their recovery has also been weaker. By 2016, house prices had increased by 26 percent from their trough, and stock prices had risen by more than 160 percent: so why haven't families in the Bottom 90 shared in those gains?

One reason the Bottom 90 experienced little to no recovery is their homeownership rate declined between 2007 and 2016 (Table 2). Families who do not own a home will not experience an increase in housing wealth when house prices rise.

Table 2: Homeownership rates and decomposition of increase in renter share

	Bottom 30 (0-30)	Middle 30 (31-60)	Next 30 (61-90)	Top 10 (91-100)
Share of families that are homeowners...				
...in 2007	41%	71%	89%	91%
...in 2016	33%	59%	81%	92%
Change in renter share 2007-2016*...	7%	12%	8%	0%
...previously owned a home	-1%	3%	3%	0%
...never owned a home	9%	9%	5%	0%

* May not sum due to rounding.

Source: Survey of Consumer Finances 2007, 2016.

Further inspection of the data indicates that the decline in homeownership for the Bottom 90 can be explained by a decline in first-time home buying. Between 2007 and 2016, the share of families in the Bottom 90 who have never owned a home (e.g., families who would become first-time buyers if they did purchase homes) increased, while the share of renters who used to own a home (perhaps due to a previous foreclosure) fell or increased only modestly (Table 2).

What explains this decline in first time home-buying among the Bottom 90? Several recent papers indicate that a reduction in mortgage credit availability is a likely culprit (Acolin et al, 2016; Bhutta, 2015). Also, the SCF shows that rent-to-income ratios rose between 2 and 9 percentage points for renters in the Bottom 90 during this time period, which would have reduced renter families' ability to save for a down payment.[8]

A second reason the Bottom 90 has not experienced a stronger recovery is that stock market participation has declined since 2007. Between 2007 and 2016, stock market participation--defined as holding stocks directly or indirectly, such as through a pooled investment fund or a defined contribution retirement account like a 401 (k) or IRA--fell for the Bottom 30 and Middle 30, but increased slightly or was unchanged for the Next 30 and Top 10 (Table 3).

Table 3: Stock Market Participation and the availability of employer-sponsored retirement plans

	Bottom 30 (0-30)	Middle 30 (31-60)	Next 30 (61-90)	Top 10 (91-100)
Share of families that participate in stock market....				
...in 2007	24%	56%	80%	93%
...in 2016	20%	50%	80%	95%
Change in share of families that do not participate in stock market 2007-2016*...	4%	6%	-1%	-2%
...employer plan available, but does not participate	-2%	1%	0%	0%
...employer plan not available...	6%	5%	0%	-2%
...part-time at main job(s)	7%	2%	0%	-1%
...full-time at main job(s)	-4%	0%	0%	-1%
...not working	3%	2%	0%	0%

* May not sum due to rounding.

Data source: Survey of Consumer Finances 2007, 2016.

Why did stock market participation decline among the Bottom 30 and Middle 30, but not the Next 30 or Top 10? Table 3 reveals differential declines in retirement plan eligibility across groups. Most families in the Bottom 90 only hold stocks through defined contribution retirement accounts, such as 401(k)s or IRAs. Between 2007 and 2016, the share of families in the Bottom 30 and Middle 30 with access to retirement plans through an employer dropped by 5 to 6 percentage points. Most of this decline in plan availability appears to stem from changes in work patterns between 2007 and 2016: families in the Bottom and Middle 30 were more likely to work part-time at the their main job, or not work at all (due to declining participation rates and elevated unemployment rates), which would typically make those families ineligible to participate in employer-sponsored plans (Table 3). These changes in plan eligibility also appear related to the increase in contract work and the gig-economy, since those jobs are often part-time and typically do not offer plans (GAO, 2015; Katz and Krueger, 2016).

What would the recovery look like for the Bottom 90 if homeownership and stock market participation had not declined between 2007 and 2016? We can conduct a counterfactual exercise where we assume group-level homeownership and stock market participation rates had remained at their 2007 level and allow each group's wealth to be affected by changes in home and stock prices that occurred between 2007 and 2016.[9] The results of this experiment reveal that the changes in asset ownership described in this Note played a key role in generating a "wealthless recovery": Bottom 90 wealth would be 50-60 percent higher in 2016 if home ownership and stock market participation rates had not fallen (Table 4).

Table 4: Counterfactual change in Bottom 90 wealth 2007-2016 assuming 2007 home and stock ownership rates

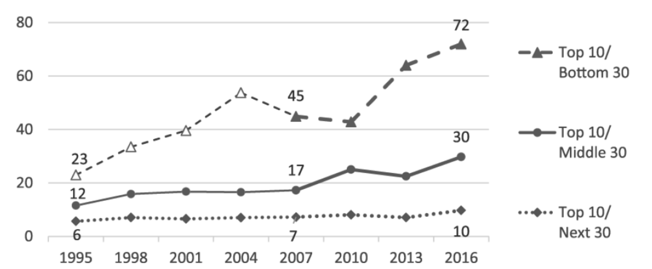
	Bottom 30 (0-30)	Middle 30 (31-60)	Next 30 (61-90)
Change in wealth 2007-2016			
...actual	-31%	-35%	-17%
...assuming 2007 ownership rates	-12%	-20%	-9%

Source: Survey of Consumer Finances 2007-2016.

Implications for wealth inequality and future outlook

One measure of wealth inequality is the ratio of the mean wealth of the top 10 to mean wealth of each subgroup of the Bottom 90. In 2007, that measure shows that the Top 10 had 45 times as much wealth as the Bottom 30, 17 times as much wealth as the Middle 30, and 7 times as much wealth as the Next 30 (Figure 2, solid markers). By 2016, those rates had increased substantially; the Top 10 had 72 times as much wealth as the Bottom 30, 30 times as much wealth as the Middle 30, and 10 times as much wealth as the Next 30. Furthermore, those ratios are considerably higher than any other time period going back to the mid-1990s (Figure 2, hollow markers).

Figure 2: Wealth inequality 1995-2016



Source: Survey of Consumer Finances, 1995-2016.

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This note has uncovered a divergence between changes in aggregate wealth and most families' wealth in the recovery from the Great Recession. The resulting increase in wealth inequality has important implications for understanding the recovery. For example, it may help explain why the long-standing connection between aggregate wealth and consumption is weaker than it once was, since higher income families tend to consume less out of wealth changes than lower income families (see Aladangady and Feiveson, 2018 for more on recent developments in the consumption-wealth relationship).

Furthermore, because these declines in wealth for the Bottom 90 are driven in part by declines in asset ownership, the outlook for the Bottom 90 as the economic recovery continues will depend on asset ownership rates. Recent data provides little evidence ownership rates have rebounded: for example, as of the second quarter of 2018, the home ownership rate was still below its 2007 level; and although data comparable to the SCF measure of stock market participation is not available, the share of families not participating in a retirement plan, as well as the share working part time, were still elevated relative to 2007.[10] This suggests the wealth gaps uncovered in this Note may persist despite the continued economic recovery, as those families will not experience wealth gains from the rise in housing and stock prices since 2016. Data from the next SCF in 2019 will help to further uncover whether this "wealthless recovery" for the Bottom 90 persists.

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1. Financial Accounts of the United States, 2007Q2 to 2009Q1, available at www.federalreserve.gov/releases/z1. Return to text

2. See Bricker, et al. (2016) for more on wealth concentration in the Survey of Consumer Finances. Return to text

3. See Bricker, et al. (2017) for more details on the definition of net worth used here to measure household wealth. Return to text

4. We focus on working-age households to ensure that our comparisons are not confounded by time-varying factors that disproportionately affect young and old households. For example, the retirement of the baby boomer cohort might complicate comparisons over time if we were to examine families of all ages, since retired households tend to have low levels of retirement income, but wealth levels that reflect their higher pre-retirement income. Younger households can also complicate the analysis, since college-going tends to increase occurs during a recession and students' income and wealth levels are often low. Return to text

5. All dollar amounts from the SCF for this Note are adjusted to 2016 dollars using the CPI-U-RS. Return to text

6. We choose to focus primarily on mean values because we want to discuss the behavior of the group as whole and because the ability to add together values from subgroups is an important aspect of our analysis. But medians reflect a similar story from 2007 to 2016: median wealth fell from $13,000 to $8,000 for the Bottom 30, $99,000 to $55,000 for the Middle 30, and $318,000 to $195,000 for the Next 30. Additionally median wealth rose from $1.335 million to $1.460 million for the Top 10. Return to text

7. Changes between September 2007 and September 2010 (roughly the median SCF interview dates) were computed using Case-Shiller index and Wilshire index, both inflation-adjusted to 2016 dollars). Return to text

8. Another possibility is that preferences for home ownership declined among the Bottom 90, but there is little empirical evidence to support that notion. For example, surveys show that most renters would prefer to be owners, and crucially, there is very little difference in these preferences across high and low income renters over time, which would be consistent with the home-buying patterns observed in the SCF (Authors calculations from data in the FRBNY Survey of Consumer Expectations https://www.newyorkfed.org/microeconomics/sce) .
Return to text

9. This counterfactual exercise was conducted by estimating housing wealth, stock wealth and all other wealth for each income groups. Stock wealth is estimated by aging forward the group's 2007 stock wealth using the Wilshire Index. To estimate housing wealth, we first estimate mean mortgage LTVs by housing tenure, where tenure is defined as: owning current home less than 10 years, 10-20 year or 20 or more years. We then estimate 2007 house values by tenure, and age those values forward using the average change in the local FHFA house price index experienced by each group between 2007 and 2016. We combine the house values and mortgage LTVs to construct a weighted mean value of home equity, where the weights are the 2007 tenure distribution. The intuition behind targeting the tenure distribution is to match entry rates into first, second, third, etc. time home buying that was present in 2007. To estimate other wealth, we

used mean group-level non-housing, non-stock wealth by housing tenure and stock ownership, and construct a weighted average using the 2007 tenure distribution and stock ownership rate as weights. Return to text

10. As of 2018 Q2 the homeownership rate was 64.3 percent, well below the 2007 Q2 rate of 68.2 percent, and only slightly above the 2016 Q2 rate of 62.9 percent (see https://www.census.gov/housing/hvs/index.html). As of March 2017, the share of persons age 25-64 participating in a pension at work was 26.6 percent, compared to 35.3 percent in 2007 and 27.7 percent in 2016 (Author's calculations based on data from https://www.bls.gov/cps). As of 2018 Q2 the share of adult persons usually working part time was 13.2 percent, up from 12.9 percent in 2007 Q2 and only slightly below the 13.5 percent observed in 2016 Q2 (Authors calculations based on data from https://www.bls.gov/ces). Return to text

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Last Update: September 13, 2018

Chairman LARSON. And with that, I wanted to ask Mr. Richtman, in your vast experience as the head of the Committee to Preserve and Protect Social Security and Medicare, there is a sense, and I have nothing but respect for Mr. Biggs, but there is a sense that it is quite a rosy picture out there for seniors, they are doing quite well.

I have to say, doing as many public forums as I have across the country, that has not been my experience. But I like to call on the experts. And would you agree with that position?

Mr. RICHTMAN. I respect Mr. Biggs. I have heard him testify. But it would be good if he would go out to some town hall meetings and talk to some people and hear what people are actually saying. And he is right, facts are important. He does not have the only facts in his testimony.

It is my understanding that the Pew Research Center, highly respected, has said that today's real average wage has lower purchasing power, lower purchasing power, than it did 40 years ago. The Kaiser Family Foundation found that over the next few decades, middle class wages are projected to be flat. Those are facts. They are as reputable as any I have seen.

And the other thing I wanted to comment on Mr. Bigg's testimony, all of those people who thought that they were doing so well and had a comfortable life, I wonder how they would react if the law or the bill that Congressman Johnson introduced last year were passed and their Social Security benefits were cut by one third? Would they still be so optimistic? I do not think so.

Chairman LARSON. And that is the other important thing that we have acknowledged right along, is that to do nothing, to do nothing, means that in 2034 that individuals will receive, with Congress doing nothing as it has since 1983, that individuals will receive a 21 percent, minimally, cut to their benefits. How would your constituents act to that, Ms. Zapote?

Ms. ZAPOTE. I think when it comes to the Latino community, there is a vast disparity on how much we have saved in private accounts for Social Security. Right now, Latinos have $10,000 saved while our white counterparts have about 60,000 saved into retirement accounts. Which means that having a robust Social Security system, it needs to be there for our community. Especially knowing that Latinos right now, the median age is 28, my age. And so it is almost that much more important for younger Latinos as well to have this program. Because to quote a Generation Progress study, which is the millennial arm of the Center for American Progress, millennials right now spend more money on monthly student loan repayment than they do groceries. To put that into, you know, to really put that into context for everybody here, our generation does not have that expendable income or there are a lot of barriers to access retirement accounts. And so that is why that is more important to make sure that we have Social Security in the future.

Chairman LARSON. Thank you so much. And let me recognize the Republican Leader, Tom Reed.

Mr. REED. Well, thank you, Mr. Chairman, and thank you to the witnesses today and I truly appreciate your testimony and your recommendations. And one area that I think I want to focus just a little bit on are to get to focused reforms for benefit opportunities to improve.

And Mr. Biggs, you talked about it in your testimony. And obviously, being raised by a single mom, passed when my dad was 48 and she passed when she was 72, what are we looking at in regards to widows in your testimony, as to how? What are you recommending that benefit adjustment be?

Mr. BIGGS. Well, the survivors and disability benefits provided by Social Security are a true insurance function. They pay benefits to the people who need them the most at the time they need them the most. And that is something which is real value added from Social Security.

Widows can face a significant cut in their household benefits when they become a widow, when their spouse, and it is usually the husband, passes away. Depending upon sort of the relative earnings between the spouses, their total household benefit could be cut from one third to one half. Now, your cost of living falls a little bit when you become widowed, you are not feeding two people. But your cost of living does not fall by one third to one half. So that is pushing down their standard of living, at a time when they do not have the option of going back into the workforce, they might have spent down some of their savings because they are older.

So various proposals looked at how do you protect widows. One that has been around for quite some time is to pay them 75 percent of the household's previous total benefit. I know Ms. Entmacher has other ideas which are a little bit more nuanced on that. But again, the focus is get Social Security's money paid to the people who need it at the time they need it, of targeting these dollars more effectively. That way, we get more of a social insurance protection without having to throw money at everyone.

Mr. REED. I appreciate that. And the mission of that benefit, what is the goal of that benefit?

Mr. BIGGS. Of the widows' benefit? Well, it is essentially to replace lost income when the higher-earning spouse passes away.

Mr. REED. Keep the family out of poverty.

Mr. BIGGS. Sure. It is not explicitly poverty, but that is the idea. To keep them from falling into indigence, I guess, would be the word.

Mr. REED. And I totally agree with that. And I think the heart of that promise of Social Security needs to be respected as we go through this conversation and as we go through this conversation and through the successful reform process, I know our chairman is going to lead to the finish line.

And as we have this honest conversation, I do want to focus a little bit. Because I see in all of the testimony only one area, and it is Ms. Entmacher that talks about the length of life and the issue of longevity and how people are living longer. You are the only one who touched on that issue in your testimony, between all the testimony I read here today.

And so you have heard numerous times on our side of the aisle or different folks that attack this issue, and some Democratic members, to their credit, have looked at the honest issue of longevity. People are living longer, generally, overall.

So I am intrigued by your assumption in your testimony, Ms. Entmacher, and also in Chairman Larson's bill. There seems to be—because there is no adjustment in the age of retirement, the retirement age qualification. It is at 67, stays at 67. So the question for me is, what is the magic of 67 and why are you not advocating for a lower retirement age if you are trying to expand retirement benefits?

Ms. ENTMACHER. Well, in effect, the proposals that are made in the Social Security 2100 Bill do provide some compensation for the benefit cut that is occurring because of that increase in the retirement age. That increase in the retirement age is a cut in benefits across the board that affects everybody.

Mr. REED. So the 67?
Ms. ENTMACHER. The 67, yeah.
Mr. REED. So the 1983 reform?
Ms. ENTMACHER. Cut benefits.
Mr. REED. You are trying to compensate for that cut of benefits that occurred in 1983?
Ms. ENTMACHER. That is part of it, absolutely.
Mr. REED. So what is the magic of 67?
Ms. ENTMACHER. In 1983, I think people looked at the numbers and tried to come up with some changes that would, you know, bring Social Security back into balance. And part of the way they did it were these benefit cuts. There was a delay in the COLA and there was also an increase in the retirement age.
Mr. REED. Just so I get your testimony correct and you have spent a lot of time here. So 67 is an arbitrary number? It is not based on any type of analysis as to longevity at retirement age? We shouldn't be looking at it from an evidence or a background in data? We should just pick an arbitrary date or an arbitrary age?
Ms. ENTMACHER. Well, I think actually you do need to look at data. And part of the data shows that the increase in longevity has mostly happened for people of higher socioeconomic status, particularly among men. It is interesting that, among women, even if they are lower income, they seem to live an extra long time. Which is why women of color face this problem of outliving their retirement income.
Mr. REED. I understand the argument, I understand the position. I am just wondering if there is any evidence or data for the retirement age of 67. And that is why I am getting confused. If people are living longer and people qualify——
Ms. ENTMACHER. Some people are living longer.
Mr. REED [continuing]. Some people living longer, and we can have that debate back and forth. But some people. So even some people living longer. The retirement age debate itself, I think, is something we really need to have a conversation about, an honest conversation about. What are we trying to insure for that retirement period? If you have a retirement period, when does that period begin and when is it likely to end?
And I guess that is the question I am intrigued by as we go through this testimony and as we go forward, Mr. Chairman, as to exactly getting this correct in regards to what is the best age for these benefits to kick in and the amount of risk we are trying to cover with the Social Security retirement insurance benefit.
Chairman LARSON. We look forward to your plan to do that. Because we have put forward a plan. Mr. Johnson put forward a plan, as was recognized. So we like to—and I think that is a fair question. So let's turn the spotlight up on this and let's see what it actually is.
Mr. REED. Right.
Chairman LARSON. And let's see why people came to the conclusion that it was 62 and what that means. And what that means to struggling families all across this country. I think you are right in requesting that and that is what these hearings are all about. We want to cast as bright a light as we possibly can on what the

current plight of American citizens is under the existing Social Security and how we remedy that.

Mr. Pascrell is recognized.

Mr. PASCRELL. Thank you, Mr. Chairman. I would like to look at that data as well on longevity. I was not here and you were not here in 1983, in the Congress, that is.

Mr. REED. He might have been.

Mr. PASCRELL. But at that time, I do remember reading about how they got to the—how they raised it two years and what the data was. And as the longevity charts, which would be different today than it would be then, I am certainly not convinced that raising the age is the area that we need to focus on. Because we do live in a different culture, somewhat, in terms of how long people worked at that time and how much they needed to save at that particular time. And that is the thing that I am looking at.

Because even Mr. Biggs would have to agree that, in lower income groups, we are making a few more dollars. And just looking at the economy as a whole, they spend it, they spend it. And I think that is very, very, very critical to what we are talking about as far as the total economy is concerned, besides zeroing in with this.

Mr. Richtman, thank you for your work over the years and the pain-in-the-neck questions you got from us. You did very well.

I want to ask your opinion before I get into a few comments I have to make. Can you describe how the windfall elimination provision negatively impacts our first responders, that is police and fire, and do you support repealing the windfall elimination provision within the Social Security?

Mr. RICHTMAN. We have supported repealing the WEP, as it's called, the windfall elimination provision.

Mr. PASCRELL. Can you just give us a brief, brief, what is it and what does it do?

Mr. RICHTMAN. The windfall elimination provision, it is commonly called the WEP——

Mr. PASCRELL. Right.

Mr. RICHTMAN [continuing]. Reduces Social Security benefits for public service workers, that is often firefighters, as you pointed out——

Mr. PASCRELL. Right.

Mr. RICHTMAN [continuing]. Teachers, nurses, and others, who have a work history that is partially covered by Social Security and partially not covered. When they, and this is really the heart of why we support eliminating that penalty, contribute all their quarters to Social Security, they are penalized because they have this other benefit. And that is wrong.

I probably have testified 10 times before this committee and this subcommittee on this issue since the early 1990s and I think that almost every member of Congress hears about it at town hall meetings and talks about the need to repeal that penalty and it has not happened.

If I could just make one other comment on the whole discussion about the fact that people are living longer, that is an important fact-based thing to consider. But are they working longer? Are they able to work longer? Are there jobs for them? That is a piece of the puzzle that I think has to be taken into account.

Mr. PASCRELL. Thank you. A very important point.

Chairman LARSON. Will the gentleman yield for just a second? I just wanted to, because I did this yesterday as well, to say that we are intending, and both Mr. Neal and Mr. Brady have collaborated in the past on a bill and that we will be having a committee hearing on that very issue and I just wanted for the record to make that comment.

Mr. PASCRELL. So for older Americans, Mr. Chairman, just over four in five Social Security beneficiaries are 62 or over, older. The program provides 90 percent or more of the income for almost one in three seniors. Those benefits may be modest but they are vital to those who rely on them. We cannot be shy about working together to strengthen the program.

The Social Security Trust Fund is only fully funded until 2034. So revenue increases are needed to shore up the fund for the future. And let's be clear, real wages have about the same purchasing power it did 40 years ago. Think about that. They are stagnant. Last Congress's tax scam did not help. And hoping for wage growth is not the answer to the problem. Thankfully, many of today's panelists understand that, discuss specific proposals to protect the fund's future.

I support the chairman's Social Security 2100 Act because it protects the promise we made to workers in a way that ensures no benefit cuts need to be made for at least the next 75 years. Not bad. Also it expands benefits for current and future beneficiaries. No idea should be off the table but we must be honest about its potential impact to beneficiaries and we cannot retreat on the promises that we have made.

And I yield back. Thank you, Mr. Chairman.

Chairman LARSON. Right on time, Mr. Pascrell.

Mr. PASCRELL. That is unusual.

Chairman LARSON. Mr. Estes is recognized.

Mr. ESTES. Thank you, Mr. Chairman. Thank you to all the panelists for being here today and talking with us about this very important issue.

You know, following the effort over the last couple of years that the Ways and Means Committee and Congress has made to help get our economy going, to help get people more jobs, help increase wages, now we have got to turn to how do we protect retirement for those folks that are working. And that includes making sure that we have protected and preserved Social Security for current as well as future retirees.

You know, with Social Security, our population changes from the Baby Boomers. And, you know, as we have different shifts in population over time, we cannot overlook the impact, the financial impact, on this very vital program.

As mentioned earlier, if we do nothing, Social Security retirement fund is going to be out of funds by 2034, which will result in roughly a 21 percent cut in benefits and that is not something we want to see happen. So we need to act now to address this.

You know, yesterday I mentioned in a hearing, and I will mention it again because I think it is important, that Republicans and

Democrats both agree there is an issue and we need to work together to resolve this. However, we want to make sure that the solution does not involve some devastating tax increases that result in slowing the economy back down, which actually then puts a negative spin on the support for Social Security. Instead, we want to make sure that those changes help reward work and reward some of that growth in the economy, as well as the increase in benefits that tie along with those higher wages during your career.

You know, I am the only former state treasurer serving in Congress and I know firsthand some of these retirement issues. Just because we had a problem in Kansas with our public employee retirement system. And that is one of the issues we had to address, is how do we make sure that the benefits were there for folks as they retired? And it took some leadership and some hard action and luckily the Legislature and the Governor at that time focused on that. And we need to do the same thing in Congress at the federal level for everybody in the nation.

You know, there is a lot, we talked a lot about retirement today. Yesterday I mentioned the story of my aunt and uncle. My uncle passed away and my aunt had to raise my three cousins and Social Security was one of those benefits that helped through that. So it is more than just a retirement system. It was beneficial for my sister-in-law, who had a series of strokes before she turned 65. And again, that insurance portion helped with that. And so we want to make sure that Social Security is there to protect and provide that support for folks.

Mr. Biggs, we have talked a lot about, you know, how we need to act now to address some of these issues with Social Security. You know, folks say that the longer we wait, the harder it is going to be. Can you talk a little bit about why that is important and what is critical about that?

Mr. BIGGS. Sure. And the reason acting now makes solving the problem easier is it spreads the problem over a larger number of people, over more generations, so that they absorb a smaller change each, and it gives people more time to respond.

If you think about the increase in the normal retirement age, it was legislated in 1983. It started increasing in 2000. It will not reach 67, I think, until 2022. That gives people a lot of time to adjust. As a result, people on average are retiring about two years later. They are leaving the workforce about two years later today than they did back in 1990. They are responding to it. But if we wait to the end and we have to do it all at once, you do not have any chance to respond. Somebody has already retired, you know, it is hard for them to go back to work. You cannot increase your savings.

The sooner we act—we should have acted 20 years ago, 30 years ago when we were first being warned about this. And the reason we do not is politics. People need to act so that everybody else has time to respond. If you do it, the problem works out. If you leave it to the end, it is very, very hard.

Mr. ESTES. Thank you. I think there are lots of solutions that we talk about that Republicans and Democrats bring together in terms of different ideas of how to solve them. But I would agree that that issue is what we need to focus on. Let's get to work on it now, let's focus on it, making it as easy as possible to make that transition. And that the sooner we act, the better it is going to be in terms of making sure that people that have worked all their lives to accrue this benefit and earn this benefit, that they get that benefit that they have earned.

So thank you for your time and, Mr. Chairman, I yield back.

Chairman LARSON. Thank you, Mr. Estes. Ms. Sánchez.

Ms. SÁNCHEZ. Thank you, Chairman Larson, for holding this important hearing and I want to thank all of our witnesses for your testimony and how we can protect and expand Social Security. Frequently, when I am back home and I speak to groups of seniors, I talk about how Social Security is really the bedrock of the American retirement system, that ensures after a lifetime of hard work and paying into a system, seniors can retire with some degree of financial security and some dignity.

But sadly, more than ever, we see millions of retirees who depend mostly or entirely on their Social Security benefits. And although those benefits are great and they lift millions of Americans out of poverty, they are very modest and they have not kept pace with the cost of everything that continues to go up. So as daily necessities such as housing, prescription drugs, you know, on and on, become more expensive, seniors are having to make tougher and tougher choices between, gee, you know, do I put food on the table or do I pay for my much-needed medication. And we hear horror stories of people taking half doses, et cetera, because they just cannot stretch their retirement income to cover it all.

Social Security, as a woman, is particularly important to women, who tend to make less than their male counterparts over their lifetime of work, and they also tend to outlive their spouses. And as a Latina, and I am sure probably Ms. Zapote would agree with me, because not only are we paid less than our male counterparts and we live longer, but I think I read a statistic, I think it is like 70 percent of Latina women work for employers who do not even provide any kind of retirement plan for them. So even if they chose to participate in something, they are working for employers that do not even offer that to them. So how are they expected then to really save the adequate amount for their retirement?

I want to start with Ms. Entmacher. In your testimony, you noted that a one-person elderly household needs about 79 percent of the income of a two-person household to maintain the same standard of living. Can you talk about the financial impact that losing a spouse has on the surviving spouse and how widows—widowers and widows fare in retirement?

Ms. ENTMACHER. Yes, well, first of all, let me point out that, as Mr. Biggs said, and I agree with this, the household Social Security income declines sharply at widowhood from between 50 percent for a couple that had equal earnings, to about a third for couples where there was just one earner. And that is a loss.

Another important factor is that not only does—I mean, some women, as we have heard from members of this panel, are widowed early. But in general, that occurs later in life. Assets have already been spent down. And particularly, if there has been a period of illness for the spouse who dies, expenses go up. And there are medical expenses, caregiving expenses, so that often exhausts whatever savings the family may have had.

And then a widow faces years alone. And again, that can increase living costs because you do not have a spouse who can help care for you when you fall ill or need help being driven somewhere. You are on your own. And so both immediately upon widowhood, there is an economic shock, and in the years that follow. And many widows continue to live for a substantial period of time, relying on these benefits.

And in my testimony, there is a chart that shows that both widowed men and widowed women have much higher rates of poverty than married couples do. For widowed men, it is a little less than twice as high as the poverty rate for married men. For widowed women, it is about three times the poverty rate. So this is a real issue for both men and women.

And I am pleased to see that the reform that both Mr. Biggs and I have suggested would improve benefits for spouses and working couples for both men and women if they survive.

Ms. SÁNCHEZ. Yeah, I have a bill that is called the Protecting Our Widow and Widowers in Retirement Act, the POWWR Act, which would create an alternative benefit of 75 percent of the combined benefits that the couple received when they were both alive. Do you think that that would be something that could address this weakened financial situation for widows and widowers?

Ms. ENTMACHER. Yes, I do.

Ms. SÁNCHEZ. Okay, great. Thank you so much. I yield back to the chairman.

Chairman LARSON. Thank you, Congresswoman Sánchez. Mr. Arrington is recognized.

Mr. ARRINGTON. Thank you, Mr. Chairman. And I appreciate your sincere desire to fix this broken system and this insolvent program that has been important to so many for so many years. And I think we can all agree we have to do something and we need to do it now. And, as I have said before, I think you and the Ranking Member have as good a shot as any to lead us to that bipartisan solution.

And I think we have agreed, at least I have heard a lot of agreement, that whatever solution we do come up with for at least this generation of reforms to Social Security must be bipartisan or nothing will get done. I think that that is in general agreement up here. So I am going to put our witnesses to the test here and ask that they work to help us reach that bipartisan solution for the American people.

So it is probably pretty evident to most in the room and those listening from wherever that Mr. Biggs probably leans more Republican, conservative. He has referenced Sam Johnson's reform legislation. So there is a Republican solution on the table. And then I am going to also be a little presumptuous but if I was a betting man, I would bet that the five other witnesses probably lean more Democrat and probably more favorable to Mr. Larson's, Chairman Larson's legislative reform initiative with respect to Social Security. Going out on a limb there, okay, but I am a Texas riverboat gambler, so I am going to do it.

Let's start on this end with Ms. Butts. I don't want to know what you think about the wonderful piece of legislation that Chairman Larson has introduced. I want you to tell me what you think about Sam Johnson's legislation and what in those provisions would be acceptable to you? Because we are going to have to take some of one side and some of another side. So work to help me get to that bipartisan solution. Help us get there today.

And I am going to work my way down the list, all the way to you, Mr. Richtman, so be thinking about it.

Chairman LARSON. Would the gentleman yield for a second?

Mr. ARRINGTON. Yes, sir.

Chairman LARSON. It would be great if we had that legislation in front of them so they could see it.

Mr. ARRINGTON. I should not assume they have read the Republican version of how we are going to fix this problem.

Chairman LARSON. Please proceed. I just wanted to——

Mr. ARRINGTON. [continuing] Well, let me say, of the recommendations you have heard from more along this side of the aisle's sort of philosophical view of government's role, et cetera, et cetera, some of the things you have heard from Mr. Biggs, maybe you have read something about Sam Johnson's legislation. What would be acceptable to you with respect to those initiatives that have been proposed?

And, Mr. Biggs, I am going to ask you what would you accept if you were trying to work a deal to save this great program and be a great example to the rest of this country that we can actually work together to solve a problem.

So, Ms. Butts, what would you do? What would you accept?

Ms. BUTTS. Well, thank you, Mr. Arrington. I wanted to say first that Generations United, we are very proud of the fact that we work across the aisle and with both parties and all people to bring together a solution. And that to us, one of the most important frames as we are talking about this is that we must have that bipartisan solution.

But the framework that works for all of us is family. Once we get outside of Washington, we do not talk about whether grandma gets Social Security or a child gets survivors or an educational investment. What we talk about the fact is, it is not a fight but it is a family.

Mr. ARRINGTON. And I do not mean to interrupt. But give me one provision, because that is beautiful and I agree with you. But I have one minute now and I probably will not get through the rest of them. So can you give me one provision you would accept from the sort of Republican side of the table here? And just think about it. And we will come back to you.

Ms. Entmacher, is there one provision you would accept?

Ms. ENTMACHER. Well, I think Mr. Biggs's idea of focusing improvements on the people who need them is an important one.

Mr. ARRINGTON. I think that is a reasonable——

Ms. ENTMACHER. And that that is where the improvements that we make should be targeted. That's a priority.

Mr. ARRINGTON. [continuing] Right.

Ms. ENTMACHER. But I think that perhaps the difference——

Mr. ARRINGTON. No, no, no buts. No, I am kidding, I am kidding. No, I appreciate that.

Ms. ENTMACHER. [continuing] No, please, I would like to finish.

Mr. ARRINGTON. Please do.

Ms. ENTMACHER. But middle-income people really cannot afford benefit cuts. And the problem with relying on benefit cuts, particularly if we protect those at or in retirement as we need to, is that they fall most heavily on younger generations. And those are the millennials who are struggling with stagnant wages and with high student loan burdens. They are the people who entered the labor market when——

Mr. ARRINGTON. Thank you. Mr. Chairman, my time has now expired. Are you sure you are not a senator, Ms. Entmacher?

Ms. ENTMACHER [continuing]. Quite sure, and relieved that I am not.

Mr. ARRINGTON. No, listen, I appreciate your comments. I would love to hear the comments from everybody else, including you, Mr. Biggs. But my time has expired. I yield back, Mr. Chairman.

Chairman LARSON. Well, we hope there will be ample opportunity in the future to present side by each these proposals. And I think that will give both witnesses and members an opportunity to thoroughly go back and forth. And I think that is an important breakthrough and sign. Because, you know, there have not been hearings and there have not been specific proposals in front of people. Now there are, and that is testimony to both sides and to the witnesses.

And with that, let me recognize Mr. Higgins.

Mr. HIGGINS. Thank you, Mr. Chairman. Thank you for your leadership on this initiative again and I appreciate the ranking member's willingness to work in a cooperative manner toward the goal of preserving what we all want to preserve.

First of all, you know, you have 62 million people receiving Social Security benefits each year; 41 million of them, it is a majority of their annual income. For 20 million, it is 90 percent or more of their annual income.

Based on the facts, you know, Social Security benefits are spent. So for every dollar that you provide for Social Security benefits, you get $1.50 in economic output. That is a return on investment of 50 percent, which seems to be a pretty good deal when compared with other government spending.

And also, this is not a giveaway. This is the Federal Insurance Contributions Act. People pay during their working years this retirement account from which they should expect reasonably to be able to take advantage of it.

The question is, what can we do to make it better? What can we do to make it stronger? What can we do to help beneficiaries help in the growth of the economy?

So most Social Security beneficiaries also have Medicare Part D. And they have that withheld from their Social Security, which is about $135 a month, a little bit more. That is $1,626 each year. And if you reduce that amount from the average Social Security beneficiary's annual income that is $17,532, you are left with

$15,906 after Medicare. In 48 states, poverty level is $12,140. So you are $3,700 each year away from poverty, or $313 a month, or $78 per week.

Mr. Richtman, you have been at this for a long time. Mr. Larson has a proposal on the table which is designed to increase benefits and increase the stability long term of Social Security. Your thoughts about that and/or other ways that this committee can be looking at, toward the goal of achieving the multiple objectives, all of which are good for the individuals but, in the aggregate, it is good for the country as well, because added benefits adds to the growth of the country. And if these people, these individuals, 62 million people did not have Social Security, what would they do? They would be dependent on local, state and Federal Governmental programs.

So this was, as originally conceived in 1935, a good investment, visionary, and it is today. And I think all of us are committed to trying to make this stronger moving forward. So, Mr. Richtman.

Mr. RICHTMAN. Well, the organization I represent, the National Committee to Preserve Social Security and Medicare, has endorsed the chairman's bill. There are many pieces of it that we favor. I have referred to some of them in my written testimony and my oral testimony. But just let me, and I only have a minute here, comment on a couple things that are really important in light of the fact that there have been stagnant wages for so long and the fact that the cost of living adjustment has been inadequate, mainly because it was poorly designed in the first place. And Chairman Larson's bill would fix that by adding some money to the minimum benefit, I think it is about $70 a month. May not be a lot to people in this room but to many seniors it is a lot. And Ranking Member Reed, I think, would agree with that.

And the COLA, you know, the COLA is so important. I am sure when you have your town hall meetings, everybody in the fall is waiting to hear what is the COLA going to be. In 2010, 2011 and 2016, the COLA was zero. And seniors do not understand how people in Washington have determined that their cost of living did not go up in all those years. And that, as you know, the amount of the COLA is also important because it is computed like interest in a savings account. If you lose two years or three years, you are going to lose for many years to come.

Now, on a personal note. I worked on the COLA issue for a long time. You are right, Congressman, I have been at this for a while. I was staff director of the Senate Aging Committee. And in 1987 and 1988, we tried to push through what the congressman has proposed, CPI–E, a way to measure inflation so that it will reflect what seniors are buying and put the proper weight on that market basket of goods and services that seniors rely on, like prescriptions, medicine, and less weight on the fact that they are not wage earners.

The reason there was a zero COLA in those years is the price of gasoline plummeted. So much weight was put on that, that it brought down the COLA to zero in three years. And the fact is, seniors are not using gasoline as much, they are not driving to work and back every day, they are not dropping kids off at school and picking them up. So that is just one example of how the formula is flawed.

So in 1987, when I started working on this, we tried to change it. The best we could do is get what is called an experimental CPI–E. The Bureau of Labor Statistics keeps track of this new formula. It has not been implemented. It would cost more money to have it fully analyzed and implemented.

So I started working on this 32 years ago. It still is an experiment. And so I am not sure I have 32 years left to have it be implemented but we will see about that.

Chairman LARSON. Mr. Ferguson is recognized.

Mr. FERGUSON. Thank you, Mr. Chairman, and thank each of you for coming today. You know, as I listened to testimony, it was very compelling. And not just your testimony but probably more importantly the testimony of our constituents back home, the testimony of my parents every weekend when I go home. So I think it is good to have these discussions and, as I have said many times, I think having good, solid, honest and transparent discussions and allowing the members of this committee to work in a very bipartisan way to float ideas out there, to challenge one another's opinions in a very respectful way is really important.

You know, one of the things that I have heard several times, Mr. Richtman, I think you have alluded to it, is the flat wage growth. And so I could not be more excited about where we are in the economy right now, with the fastest wage growth, particularly with those that are at the lowest quartile, the lowest earners and lowest incomes, and the medium income. That is where we are seeing the most rapid wage growth. So I am excited about that. Because I do think that rising wages is very, very important. I am excited about the fact that we now have more people in the workforce than we have ever had and we have the lowest unemployment across all socioeconomic groups. That is a great thing because it is a part of solving this equation. Not the only part, but it is a part of it.

So another thing that I would like to touch on, a couple of topics very quickly, Mr. Biggs, you know, I want to go back to the conversation about seniors working. One of the things that I have found, and I saw this a lot with my patients in my dental practice, more of them started out with a few people working past retirement age. Then I saw a number of people continue to work past retirement age, not because they had to but because they wanted to. Can you speak a little bit about the dignity of work past retirement age and the importance of that?

Mr. BIGGS. It is something that has become increasingly important. You know, in some cases, people are forced to work longer.

Mr. FERGUSON. Sure.

Mr. BIGGS. I understand that after the recession, if your 401(k) dropped. But the interesting thing there was, following the recession, labor force participation fell in almost the entire segment of the age groups of the population, worst labor market in decades, except for retirees and near retirees. And they found jobs, they did not just find Walmart greeter jobs, they found decent paying jobs, they rebuilt their savings. And that is a pattern that has been increasing since the mid-1980s. We are retiring a little bit longer. Simply delaying retirement for a year can have a dramatic impact on your retirement income. You get a higher Social Security benefit, you have more savings, fewer years you have to finance.

Mr. FERGUSON. Okay, thank you for that. Another question, you talk about the cost of living. And one of the things, I would just be interested in a very quick thought from you about do you think the COLA should be adjusted for urban areas versus rural areas?

Mr. RICHTMAN. You know, I don't have enough background to answer that. I think it should be adjusted from clerical and urban wage earners, which is what it is based on now. I don't know if that is a good measure.

Mr. FERGUSON. Just I look at what the difference is a lot of times between urban America and rural America. And I think before we just go across the board on this, we really ought to look at, you know, what those different areas mean and what living—what the living standards are there and that kind of thing.

Mr. RICHTMAN. I agree.

Mr. FERGUSON. I think before we jump onto that, I would just like for us to recognize that there may be a difference.

Mr. RICHTMAN. I agree with you. The whole purpose of a COLA, at least for Social Security, is so beneficiaries do not fall behind because of inflation. And if the formula is flawed, it is not going to work.

Mr. FERGUSON. Okay, real quickly. This is the lightning round. I am going to take Mr. Arrington's idea here very quickly. What is one thing out of Sam Johnson's plan that you could accept?

Mr. RICHTMAN. I do not even need much time. The only thing I would say is when you bet on the composition of this panel, you are probably right. So I, you know, he would reduce the COLA——

Mr. FERGUSON. No, no. What is the one thing that you could accept? Nothing?

Mr. RICHTMAN. [continuing]. Nothing.

Ms. MARAFINO. I do not really know the plan but, from what I am hearing, probably nothing.

Chairman LARSON. I mean, I have to say, it is kind of unfair to these panelists. They do not have the plan. It has never been submitted. And you guys are asking them to answer a plan that has never been submitted?

Mr. FERGUSON. Fair enough. I guess maybe I should ask that question a different way. But again, I want to make sure that we are getting as many ideas——

Chairman LARSON. But I will say this to the gentleman. I am happy to bring Sam's plan out here. Let's lay it side by each and let's go through it. I mean, that is what a hearing process should all be about.

Mr. RICHTMAN. Congressman, if I—we did some analysis. I do not have it in front of me but I would be happy to send it to you. And also, I want to thank you for cosponsoring the BOLD Act that deals with Alzheimer's disease and would go a long way to helping an awful lot of people.

Mr. FERGUSON. [continuing] Okay, good. I yield back. I see my time has expired.

Chairman LARSON. Mr. Schneider is recognized.

Mr. SCHNEIDER. Thank you. And, again, Mr. Chairman, ranking member, thank you for having this hearing. The witnesses, thank you for your time here, making the time and preparation and also staying for all of us to ask our questions.

We have touched on a lot of things. Yesterday, I emphasized that we do need to take the political posturing out, as my colleagues have said, and work together to try to come up with the solutions.

I talked yesterday, others had mentioned, it was mentioned earlier, about why raising the retirement age would be unjust and unfair to people who are working backbreaking work, who are the lowest quintile, lowest 20 percent of the income score, have a life expectancy to 76, to raise their retirement age to 70 is a burden in and of itself but would reduce their expected retirement by fully a third is something that we should not do.

But what I would like to talk to today, and it is something I hear a lot about when I am home, and we have talked about it, is the windfall elimination provision that we touched on earlier. It is an arbitrary and regressive policy that most often hurts the workers serving in our communities. In particular, our teachers, government employees, first responders.

And one particular story is a teacher, a person in my district, Sarah Stevens of Hainesville. She is 76 years old, she teaches English at our local community college, College of Lake County. And she worked many years as the director of communications for the American Concrete and Pavement Association. And she decided to take on a new career at the age of 60, went back, got her masters in written communications, graduated top in her class and then decided to go into teaching as a way to give back to the local community.

What she did not realize at that time was the decision, because of the WEP, would cost her one-third of her hard-earned Social Security income from her previous life in corporate America as a communications director. As she says, I could have become almost anything and kept my benefits but I decided to become a teacher instead and that cost me. Now, at 76, she wants to retire but cannot, for fear of losing that Social Security.

That is only one example. I hear about this all the time almost everywhere I go. So, Mr. Richtman, I will turn to you. Could you discuss the windfall elimination provision and how it affects low-income and public service employees and what options you think would best reform the problem.

Mr. RICHTMAN. The best option would be to eliminate the penalty entirely. And I mentioned earlier that we have been lobbying on that for a long time. And it is many public service employees, first responders, firefighters, teachers, nurses in many states that are penalized up to, I think the example I have seen recently is between $450 and $500 a month because they have spent part of their work history in Social Security-covered employment and the other part in working for an entity that did not cover Social Security.

So Congressman, I have been to your district with you and I have heard some of those same stories. The thing that really bothers people, even maybe as much as having a reduction, is they do not even know about it——

Mr. SCHNEIDER. Right.

Mr. RICHTMAN [continuing]. Until they are about 60 years old and they get a statement from Social Security. Because now, you know, we do not get all those statements. You get one at 60 and it tells you what your benefit is going to be. And in very tiny print at the bottom, it tells you how you might be impacted by the WEP, by the windfall elimination provision. And they are shocked. Here they are, considering retiring in a couple of years, claiming Social Security, and they find out their benefits are going to be cut by $400 or $500. They did not know anything about it. That is wrong.

Mr. SCHNEIDER. And I will put an exclamation point on that. Saturday, I was in a part of my district that is an economically struggling community. The schools have a hard time keeping teachers because they cannot afford to pay as much. They last year ran the entire year with three open spots.

And then I think back to my kids' experience at their school, my experience going through school, and some of my best teachers. Dr. Mackie, my physics teacher, was someone who had a career in industry and had a passion for science and brought that passion to what we did. And it was in many ways because of Mr. Mackie, Dr. Mackie, that I went on to be an engineer in college. You know, changed the course of my life. We need more stories like that. But by having these penalties on these teachers, we are putting a burden on them.

I want to create opportunities for people to make. We are working longer, we are living longer. Let's make that second career a career that strengthens our communities and I think this would be a way to fix that.

With that, I went over my time. Thank you. I yield back.

Chairman LARSON. I would thank the gentleman, and I would mention again, and you were out of the room when we said this before, and this came up at our last hearing as well, that we do intend, both Ranking Member Brady and Chairman Neal have introduced legislation, in fact introduced legislation in the past that actually did get a hearing. It was never taken up. But it is our intent to have a hearing on that issue, both WEP and GPO, as well. And to fully discuss and air that and then hopefully take that to a markup.

And with that, we will recognize Mr. Boyle.

Mr. BOYLE. Thank you, Mr. Chairman. This is a great continuation of what we started yesterday. As I mentioned yesterday, I believe that Social Security is the single most successful domestic program of the 20th century and it is our solemn obligation to preserve it and continue it and strengthen it for the 21st century. When we consider the relatively high percentage of seniors who lived in poverty up until the 1930s and now to consider that aged cohort has an 80 percent reduction in poverty from before Social Security existed, that is a remarkable achievement.

I was sharing with my colleague, Mr. Larson, privately, I think, a week ago that, in addition to being a member of congress for the Commonwealth of Pennsylvania, I also have the important job as helping my dad as a retiree with his taxes and some of his finances. And I mentioned that my dad is one of those half of all Social Security beneficiaries for whom Social Security makes up the majority of his retirement income. Paid into Social Security, working over 50 years, mostly in blue-collar and very physically taxing jobs, and now is earning the benefit that he worked for and paid into. It is not merely a, quote, unquote, entitlement; it is an earned benefit.

So I am so glad that we have a proposal here in front of us to strengthen this, to get us beyond 2034 and, indeed, even to the dawn of the 22nd century. I also appreciate the spirit of what Mr. Arrington, my friend from Texas, mentioned, trying to look at constructive ways that we can work together to try to save this system. I would certainly welcome any other proposal that is sound, that adds up, that could be forwarded. Because any time that you offer an idea to attempt to extend Social Security beyond 2034, it is going to be open to political hits. The easiest thing to do is to do nothing. But, as Chairman Larson pointed out, doing nothing means you are, de facto, in favor of 25 percent or at least 20 percent plus cuts come 2034. And those cuts would continue as we get later on into the century.

So with that, I do want to address to the panel and would open up to anyone who wants to comment on it, because one of the questions that has come up previously is this notion that life expectancy is increasing, which clearly was the case for the bulk of the 20th century. I believe we have just had now a few straight years in which, unfortunately, life expectancy has actually declined in the United States.

So I was wondering if any of you could actually add facts to the preconceived notion as it relates to life expectancy, number one. And number two, if you could specifically control for income. Because my understanding is, having pored over the statistics, there is a pretty massive difference when we are talking about a wealthier cohort, particularly those in the upper 20 percent of household income, versus everyone else as it relates to life expectancy.

Ms. Butts. If I could, you are very right that just recently, new information has come out that shows that for the first time the life expectancy rate in this country is declining. And it is specifically because of opioids and substance abuse, the fact that people are becoming addicted and they are dying. It is also because of suicide. And we know that social isolation is huge among older adults as well as young people, because we have segregated people and segregated people by age. And there is also the issue of obesity, that we have not really kept our health up in the ways that we could. So we are in danger if we don't correct some of those things in the life expectancy continuing to decrease.

There has, historically, been an increase. And the issue there is what we do with those years, the quality of life, the opportunities that people have because of age discrimination, because of opportunity, because of expectations that we have in older age. So those are some things that we need to consider.

Mr. BOYLE. Did you want to mention something?

Mr. BIGGS. There was a study, I am thinking 2014, from analysts at the Congressional Budget Office, which found that an individual in the top fifth in terms of income would live around six years past retirement longer than somebody who is the bottom fifth. For myself, this has made me rethink something like raising the retirement age, in the sense of you are essentially blaming low-income people for a problem they did not cause, they are not the ones living longer. At the same time though, it means that some of the proposals to increase benefits, including COLAs, including the general benefit increases you are looking at, would flow more to higher-income people, not because they are getting necessarily bigger dollar increases but because they are going to collect them for longer.

Mr. BOYLE. I see that I am out of time. But I will just briefly conclude and urge this committee on both sides of the aisle to keep this in mind when the conversation of life expectancy comes up, number one. And, number two, to draw the distinction between those of us in white-collar jobs and those who are in blue-collar jobs. Sixty-seven for someone who has had a blue-collar job for 50, 60 years is a lot different, body wise, than someone who has had a white-collar job. Thank you.

Chairman LARSON. The gentleman from South Carolina, Mr. Rice, is recognized.

Mr. RICE. Thank you, Mr. Chairman. I just want to start by saying that, you know, Social Security is a promise that the government, our government made to our seniors. And everybody in this room, Republican or Democrat, recognizes that we have got to make that promise solid. But it is underfunded and it is going to cost money to do that. So we have to look at ways that we can accomplish that that will be the least painful among all of the groups involved.

You know, when we are paying for people who are retired by people who are working, we are placing the burden on them. And I am looking at a self-employed individual, could be an artist, could be a truck driver, could be whatever, making $60,000, which is the median household income, his tax today for Social Security and Medicare is $9,180 out of his $60,000. To make Social Security solvent under Mr. Larson's plan, he would add another 2.4 percent, which would add to that $9,180 of liability another $1,440.

Chairman LARSON. Will the gentleman yield?

Mr. RICE. Sure.

Chairman LARSON. Do you mean his liability or do you mean the employer's liability and his liability?

Mr. RICE. This is for a self-employed. If it was for the employer——

Chairman LARSON. For self-employed? Okay, all right. Just to be clear about that.

Mr. RICE. [continuing]. And if it was for somebody who was a wage earner, he would pay half and his employer would pay half.

Chairman LARSON. Because the 1 percent increase is paid by both sides.

Mr. RICE. Please do not take all my time.

Chairman LARSON. No, go ahead. I will give you a lot of latitude.

Mr. RICE. Let me be perfectly clear here. You are taking my time?

Chairman LARSON. No, go ahead. No, please, go ahead.

Mr. RICE. The median household income is $60,000. A self-employed guy, could be an artist, like my brother, for example, could be a truck driver, could be an Uber driver, could be anybody. Could be a painter, could be a carpenter, could be anybody. If he makes $60,000 a year, his tax is $9,180 today. And under Mr. Larson's plan, which adds 2.4 percent, that is another $1,440.

Chairman LARSON. Over how many years?

Mr. RICE. You are taking all my time.

Chairman LARSON. I will give you extra time.

Mr. RICE. I have to——

Chairman LARSON. I just want to make sure that we, you know, if we are going through the facts, we get them correct.

Mr. RICE [continuing]. When fully implemented, it will be $1,440.

Chairman LARSON. When fully implemented. Thank you. Over 24 years.

Mr. RICE. Okay.

Chairman LARSON. It would be like 50 cents a week right now, that is what the bill says.

Mr. RICE. $9,180 plus another $1,440 is my point. So it is not small change. And this is for a guy who is making the median household income.

And if we look, when I—when I started working in 1982, the cap on Social Security, the most you had to pay tax on was $32,400. Today, you add $100,000 to that, it is about $132,000. So, you know, there has been a huge growth in this.

I want to ask you, I am sorry, I cannot see your name, ma'am, in the red coat. Yes, ma'am, why was there a cap placed on the wage base when they put Social Security in place? Why did they do that?

Ms. ENTMACHER. They put a cap because of the concern that, you know, they did not want benefits to be too high for high-income people and that is why there was a cap. The reason that it went up from 32,000 to about 132,000 today is that, over that period of time, average wages increased. They increased much more for people at the top but——

Mr. RICE. Thank you, ma'am. And, Mr. Biggs, tell me your read on why there was a cap placed on Social Security wage base?

Mr. BIGGS. The original what was called the Committee on Economic Security, which was put together by President Roosevelt, they proposed that people with earnings above the cap would not even participate in Social Security, that there would be no redistribution that way. The compromise in congress was to have the capped payroll tax. And what he was trying to do was—Roosevelt's quote was he wanted to differentiate Social Security from what they then called relief but what we would today call welfare.

Mr. RICE. And really, you know, the way this has been pursued throughout the years was that you give us your money, it is kind of like your account, and we will give it back to you when you retire. But, in fact, if we remove the cap and just withhold on people and do not really give them any return, it is really not an insurance premium anymore.

Mr. BIGGS. People said, people should pay in and would get the money back with some reasonable rate of interest. I am guessing, FDR would think negative is not reasonable.

Mr. RICE. So what we are doing is we are actually converting this from a premium to a tax.

Mr. BIGGS. Sure.

Mr. RICE. So, you know, it is—everybody understands that we have got to make this promise solid. Nobody disputes that. I want to say, too, like Paul Ryan, my father died when I was 16 years old. And his Social Security benefit sure as heck made it easier. I will not say it made it possible but it made it easier for me to get through college. And I absolutely appreciate Social Security. And also, my mom is a school teacher and she suffers from the prohibitions under the WEP. We have got to do something about that.

But the question is how this thing gets paid for. And I think if you are talking about adding another $1,400 to the annual liability of a guy who is making 60 grand, on top of the 9,200 he is already paying, that is a substantial, substantial cost. And if we totally eliminate the wage cap, we are absolutely converting this thing from a premium, which is the way that it has been sold to the American public for the last 80 or 90 years, to a tax.

And with that, Mr. Chairman, I yield back.

Chairman LARSON. I thank the gentleman. And I think, because the gentleman has been outstanding in coming to these hearings even when you are not on the subcommittee, and I really do appreciate that because of your interest. But I do think we also have to make sure that when we are talking about this as well, it is not only how Roosevelt viewed this but just as important how Eisenhower viewed this.

What Eisenhower thought was that he knew what these GIs were going through, he knew what they were coming home to. He knew that, in order for them to succeed in retirement, and especially having come through along with Roosevelt the Great Depression, that they had to come up with a formula. And so they came up with a system that everybody is aware of. It is called the Federal Insurance Contribution Act. Let me emphasize insurance contribution. Now, the gentleman said the other day, this is not insurance because you do not have a choice. You do not have a choice over automobile insurance in your state, either, or group insurance through people. But it is insurance.

And clearly, as several have pointed out, social insurance because of the social inequity and vicissitudes of life that happen in an entrepreneurial, capitalistic society. And it was that balance that both, well, Roosevelt and Truman and the last president to do anything about it, Ronald Reagan.

Let me again applaud, for the record, let me applaud President Trump for both having the temerity and the guts, in the heat of a presidential race, to stand up to 16 other Republicans who were trying to get him to say that it was an entitlement that needed to be cut. And he refused and said that it was a benefit that people earned. He will earn my respect forever for having done that.

And I do think that this is the kind of conversation that we need to continue to have as we go forward.

You wanted to say something, Mr. Reed. Go ahead.

Mr. REED. Before we wrap up, Chairman, I just wanted to sincerely thank you for the hearings yesterday and today. And this is exactly the type of dialogue I think the American people want us to have.

There is no secret, we have serious disagreements between your side of the aisle and our side. But we can work through those disagreements through this open dialogue. And you should be applauded, rightfully, for scheduling these hearings, dropping your bill. It comes with risks. That is, to our colleague from Pennsylvania, Mr. Boyle, when he talks about Social Security has always been described as that third rail of politics. But thank you.

And thank you to Paul Ryan, our colleague on our side of the aisle, that raised the issues of Social Security and Medicare in a way so we can have, we need to have and will have, because of your leadership, these conversations.

And over the last two days, I have seen broad agreement here, to be perfectly honest with you. I see a firm commitment from both sides of the aisle to solve this problem on a bipartisan basis. I see a recognition on the Republican side and the Democratic side that we are going to protect Social Security together in order to honor that promise that has been made. We saw together agreement in regards to targeted relief for widows. We should celebrate that common ground. Because once we achieve some common ground, then we can build off of that for further successes.

So I just want to sincerely say, John, thank you.

Chairman LARSON. And thank you, Tom. Those are very generous remarks.

But let me also say that the last time this Congress did act, there was a Republican president. There was a Democratic Speaker of the House. There was a Republican Senate Majority Leader. That same situation exists today, although Tip had 266 members and I believe that Mitch has one less than Howard Baker had currently. But having said that, I think it is that spirit.

And, you know, what? Frankly, this is what the American people want. They are tired of the tastes-great-less-filling arguments and everybody going to their respective corners and nothing getting done. Because as we all acknowledge, and very personal experiences, I think that is one of the great things about a public hearing. I would have never known that about Tom Rice.

But when you hear what people have actually gone through in their lives, when we hear the story of your mom, I mean, these are the things that move the American people.

Are they perfect? Are our solutions perfect? No, they never quite are. But we understand at its core what we are trying to achieve here. And I think, what a great moment to say we were in Congress when it wasn't about Democrats or Republicans, it was about moving the nation forward and uplifting all of its people. I think that is what all of us are committed to do. And thank you so much. I appreciate it.

And with that, this meeting is adjourned.

[Whereupon, at 4:08 p.m., the Subcommittee was adjourned.]

[Member Submissions for the Record follow:]

FEDS Notes

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September 13, 2018

A Wealthless Recovery? Asset Ownership and the Uneven Recovery from the Great Recession

Lisa Dettling, Joanne Hsu and Elizabeth Llanes

Aggregate measures of household wealth have broadly followed the business cycle. Between 2007 and 2009, American households as a whole lost 20 percent of their wealth.[1] Household wealth increased during the economic recovery from its nadir in the Great Recession, and by late 2012, aggregate household net worth surpassed its previous 2007 peak, and continued to grow through 2016.

These aggregate patterns obscure the extent to which gains from the recovery are shared across the population. Wealth is highly concentrated--as of 2016, 80 percent of aggregate wealth was held by only 10 percent of households (Bricker et al., 2017)--which suggests that aggregate wealth measures may insufficiently describe how most households fared financially in the recent economic recovery.[2] Such an analysis requires detailed microdata on the wealth of households, including enough coverage of the top of the wealth distribution to differentiate their experiences from those of the rest of the population.

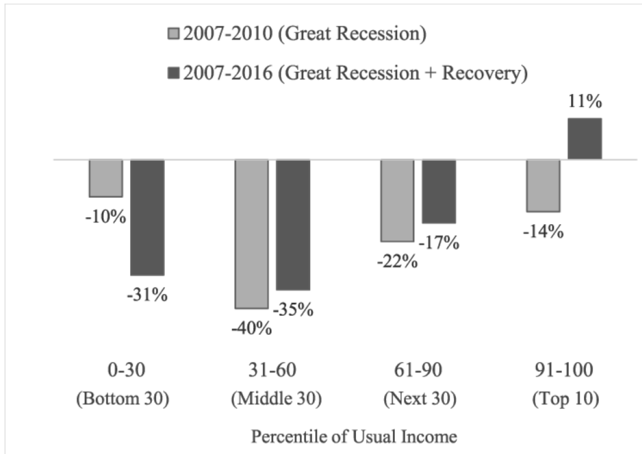
In this Note, we turn to data from the Federal Reserve Board's triennial Survey of Consumer Finances (SCF) to examine trends in the distribution of household wealth during the Great Recession and subsequent recovery. The SCF is ideally suited for our purposes because it includes an oversample of wealthy families and a weighting scheme that allows for comparisons across the entire distribution of wealth, including the very top. The SCF also allows us to construct a broad measure of household wealth that includes financial assets and liabilities (including IRAs and retirement accounts), the value of vehicles less any debt against them, the value of any homes or other properties owned less their debt, and the net value of any businesses.[3]

Trends in the distribution of household wealth during the Great Recession and recovery

We examine the evolution of wealth for different types of families, where families are grouped according to their reported "usual income." Usual income is a measure of family resources that smooths away temporary fluctuations in income, such as an unexpected bonus or a temporary unemployment spell. We divide the usual income distribution into four groups. First, given the well-documented concentration of wealth at the top, we separately examine the top 10 percent of families by usual income (the "Top 10"). Then, we split the other 90 percent of the distribution (the "Bottom 90") into three equal-sized groups: the "Bottom 30" (the bottom 30 percent), "Middle 30" (the 31st to 60th percentile), and the "Next 30" (61st to 90th percentile). We restrict our analysis to working-age households, defined as those headed by individuals between the ages of 25 and 64, to facilitate comparisons over time.[4]

Figure 1 displays changes in real mean wealth for the four income groups during the Great Recession and recovery, as captured in the triennial SCF.[5] The bars show changes in wealth since the 2007 SCF, or just before the onset of the Great Recession. The blue bars show changes in wealth through 2010--roughly the end of the Great Recession as captured in the triennial SCF. And the green bars show changes in wealth through 2016--the most recent survey year. This time period includes both the recession and a substantial portion of the recovery.

Figure 1: Percent changes in real mean wealth since the onset of the Great Recession



Source: Survey of Consumer Finances 2007-2016.

Accessible version

During the Great Recession, wealth fell for all usual income groups, although some groups lost more wealth than others (Figure 1, blue bars). The Middle 30 experienced the largest percentage losses in wealth from $214,000 to $128,000. The Next 30 also faced substantial wealth losses, from $510,000 to $395,000. For the Bottom 30, wealth fell from $83,000 to $75,000. The Top 10's wealth dropped from $3.7 million to $3.2 million.

In 2016--well into the recovery--wealth remained below 2007 levels for all three subgroups in the Bottom 90, but the Top 10 had more wealth than in 2007 (Figure 1, green bars). In 2016, average wealth was $57,000 for the Bottom 30, $139,000 for the Middle 30, and $424,000 for the Next 30; all of these values were *below* 2007 levels. On the other hand, the Top 10's 2016 mean wealth was $4.1 million, well *above* the 2007 value.[6]

The Bottom 90 and Top 10 alike lost wealth during the Great Recession (figure 1, blue bars). However, the changes in wealth during the cumulative Great Recession and recovery period (figure 1, green bars) illustrate that the Bottom 90 and the Top 10 had vastly different experiences during the recovery. The Bottom 90 experienced little to no wealth gains, whereas the Top 10 experienced outsized gains. The remainder of this note will unpack some determinants and implications of families' varied experiences in the Great Recession and subsequent recovery.

Why did some families experience larger wealth losses 2007-2010?

Between 2007 and 2010, house prices fell 23 percent and stock prices fell 21 percent, but these changes affected household wealth differently for the Bottom 90 and Top 10.[7] The first reason for this differential effect stems from variation in families' portfolios before the Great Recession. In 2007, the primary residence represented more than a third of wealth of the Bottom 90, compared with 15 percent for the Top 10, making the Bottom 90's total wealth relatively more sensitive to changes in house prices (Table 1). Furthermore, families in the Bottom 90 also stored a non-negligible share of their wealth in stocks, making them sensitive to changes in stock prices as well. In contrast, families in the Top 10 held a relatively larger proportion of their wealth outside of these two types of assets, making their wealth less sensitive to changes in home and stock prices.

Table 1: Wealth concentration and leverage in 2007

	Bottom 30 (0-30)	Middle 30 (31-60)	Next 30 (61-90)	Top 10 (91-100)
Share of wealth in...				
...housing	45%	41%	33%	15%
...stocks	11%	15%	21%	24%
...other	44%	44%	46%	61%
Share of homeowners with mortgage LTV over 80 percent	13%	22%	16%	6%

Note: Stock wealth includes stocks held directly and indirectly. Housing wealth and debt includes the primary residence only.

Source: Survey of Consumer Finances.

A second reason for the differential effect of price declines in the Great Recession is differences in leverage. In particular, the Bottom 90 were more leveraged on their homes before the Great Recession and thus suffered larger proportional declines in wealth when house prices fell. Families in the Middle 30 were the most leveraged group: 22 percent of owners had mortgage LTVs of more than 80 percent (Table 1) and thus would have had their housing wealth erased by the 23 percent decline in home prices that occurred in the Great Recession. Because families in the Top 10 were considerably less leveraged on their homes than other families, their total wealth was more insulated from the house prices declines.

Why has the recovery been weak for the Bottom 90?

The patterns above can explain why families in the Bottom 90 experienced larger proportional losses during the Great Recession than the Top 10, but not why their recovery has also been weaker. By 2016, house prices had increased by 26 percent from their trough, and stock prices had risen by more than 160 percent: so why haven't families in the Bottom 90 shared in those gains?

One reason the Bottom 90 experienced little to no recovery is their homeownership rate declined between 2007 and 2016 (Table 2). Families who do not own a home will not experience an increase in housing wealth when house prices rise.

Table 2: Homeownership rates and decomposition of increase in renter share

	Bottom 30 (0-30)	Middle 30 (31-60)	Next 30 (61-90)	Top 10 (91-100)
Share of families that are homeowners...				
...in 2007	41%	71%	89%	91%
...in 2016	33%	59%	81%	92%
Change in renter share 2007-2016*...	7%	12%	8%	0%
...previously owned a home	-1%	3%	3%	0%
...never owned a home	9%	9%	5%	0%

* May not sum due to rounding.

Source: Survey of Consumer Finances 2007, 2016.

Further inspection of the data indicates that the decline in homeownership for the Bottom 90 can be explained by a decline in first-time home buying. Between 2007 and 2016, the share of families in the Bottom 90 who have never owned a home (e.g., families who would become first-time buyers if they did purchase homes) increased, while the share of renters who used to own a home (perhaps due to a previous foreclosure) fell or increased only modestly (Table 2).

What explains this decline in first time home-buying among the Bottom 90? Several recent papers indicate that a reduction in mortgage credit availability is a likely culprit (Acolin et al, 2016; Bhutta, 2015). Also, the SCF shows that rent-to-income ratios rose between 2 and 9 percentage points for renters in the Bottom 90 during this time period, which would have reduced renter families' ability to save for a down payment.[8]

A second reason the Bottom 90 has not experienced a stronger recovery is that stock market participation has declined since 2007. Between 2007 and 2016, stock market participation--defined as holding stocks directly or indirectly, such as through a pooled investment fund or a defined contribution retirement account like a 401 (k) or IRA--fell for the Bottom 30 and Middle 30, but increased slightly or was unchanged for the Next 30 and Top 10 (Table 3).

Table 3: Stock Market Participation and the availability of employer-sponsored retirement plans

	Bottom 30 (0-30)	Middle 30 (31-60)	Next 30 (61-90)	Top 10 (91-100)
Share of families that participate in stock market....				
...in 2007	24%	56%	80%	93%
...in 2016	20%	50%	80%	95%
Change in share of families that do not participate in stock market 2007-2016*...	4%	6%	-1%	-2%
...employer plan available, but does not participate	-2%	1%	0%	0%
...employer plan not available...	6%	5%	0%	-2%
...part-time at main job(s)	7%	2%	0%	-1%
...full-time at main job(s)	-4%	0%	0%	-1%
...not working	3%	2%	0%	0%

* May not sum due to rounding.

Data source: Survey of Consumer Finances 2007, 2016.

Why did stock market participation decline among the Bottom 30 and Middle 30, but not the Next 30 or Top 10? Table 3 reveals differential declines in retirement plan eligibility across groups. Most families in the Bottom 90 only hold stocks through defined contribution retirement accounts, such as 401(k)s or IRAs. Between 2007 and 2016, the share of families in the Bottom 30 and Middle 30 with access to retirement plans through an employer dropped by 5 to 6 percentage points. Most of this decline in plan availability appears to stem from changes in work patterns between 2007 and 2016: families in the Bottom and Middle 30 were more likely to work part-time at the their main job, or not work at all (due to declining participation rates and elevated unemployment rates), which would typically make those families ineligible to participate in employer-sponsored plans (Table 3). These changes in plan eligibility also appear related to the increase in contract work and the gig-economy, since those jobs are often part-time and typically do not offer plans (GAO, 2015; Katz and Krueger, 2016).

What would the recovery look like for the Bottom 90 if homeownership and stock market participation had not declined between 2007 and 2016? We can conduct a counterfactual exercise where we assume group-level homeownership and stock market participation rates had remained at their 2007 level and allow each group's wealth to be affected by changes in home and stock prices that occurred between 2007 and 2016.[9] The results of this experiment reveal that the changes in asset ownership described in this Note played a key role in generating a "wealthless recovery": Bottom 90 wealth would be 50-60 percent higher in 2016 if home ownership and stock market participation rates had not fallen (Table 4).

Table 4: Counterfactual change in Bottom 90 wealth 2007-2016 assuming 2007 home and stock ownership rates

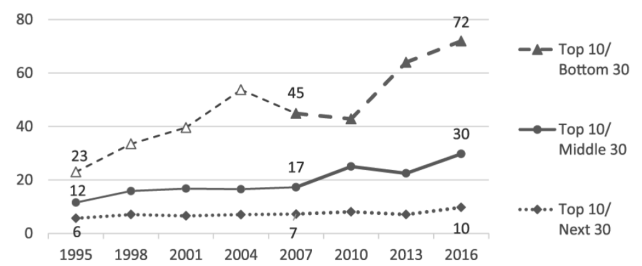
	Bottom 30 (0-30)	Middle 30 (31-60)	Next 30 (61-90)
Change in wealth 2007-2016			
...actual	-31%	-35%	-17%
...assuming 2007 ownership rates	-12%	-20%	-9%

Source: Survey of Consumer Finances 2007-2016.

Implications for wealth inequality and future outlook

One measure of wealth inequality is the ratio of the mean wealth of the top 10 to mean wealth of each subgroup of the Bottom 90. In 2007, that measure shows that the Top 10 had 45 times as much wealth as the Bottom 30, 17 times as much wealth as the Middle 30, and 7 times as much wealth as the Next 30 (Figure 2, solid markers). By 2016, those rates had increased substantially; the Top 10 had 72 times as much wealth as the Bottom 30, 30 times as much wealth as the Middle 30, and 10 times as much wealth as the Next 30. Furthermore, those ratios are considerably higher than any other time period going back to the mid-1990s (Figure 2, hollow markers).

Figure 2: Wealth inequality 1995-2016



Source: Survey of Consumer Finances, 1995-2016.

Accessible version

This note has uncovered a divergence between changes in aggregate wealth and most families' wealth in the recovery from the Great Recession. The resulting increase in wealth inequality has important implications for understanding the recovery. For example, it may help explain why the long-standing connection between aggregate wealth and consumption is weaker than it once was, since higher income families tend to consume less out of wealth changes than lower income families (see Aladangady and Feiveson, 2018 for more on recent developments in the consumption-wealth relationship).

Furthermore, because these declines in wealth for the Bottom 90 are driven in part by declines in asset ownership, the outlook for the Bottom 90 as the economic recovery continues will depend on asset ownership rates. Recent data provides little evidence ownership rates have rebounded: for example, as of the second quarter of 2018, the home ownership rate was still below its 2007 level; and although data comparable to the SCF measure of stock market participation is not available, the share of families not participating in a retirement plan, as well as the share working part time, were still elevated relative to 2007.[10] This suggests the wealth gaps uncovered in this Note may persist despite the continued economic recovery, as those families will not experience wealth gains from the rise in housing and stock prices since 2016. Data from the next SCF in 2019 will help to further uncover whether this "wealthless recovery" for the Bottom 90 persists.

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1. Financial Accounts of the United States, 2007Q2 to 2009Q1, available at www.federalreserve.gov/releases/z1. Return to text

2. See Bricker, et al. (2016) for more on wealth concentration in the Survey of Consumer Finances. Return to text

3. See Bricker, et al. (2017) for more details on the definition of net worth used here to measure household wealth. Return to text

4. We focus on working-age households to ensure that our comparisons are not confounded by time-varying factors that disproportionately affect young and old households. For example, the retirement of the baby boomer cohort might complicate comparisons over time if we were to examine families of all ages, since retired households tend to have low levels of retirement income, but wealth levels that reflect their higher pre-retirement income. Younger households can also complicate the analysis, since college-going tends to increase occurs during a recession and students' income and wealth levels are often low. Return to text

5. All dollar amounts from the SCF for this Note are adjusted to 2016 dollars using the CPI-U-RS. Return to text

6. We choose to focus primarily on mean values because we want to discuss the behavior of the group as whole and because the ability to add together values from subgroups is an important aspect of our analysis. But medians reflect a similar story from 2007 to 2016: median wealth fell from $13,000 to $8,000 for the Bottom 30, $99,000 to $55,000 for the Middle 30, and $318,000 to $195,000 for the Next 30. Additionally median wealth rose from $1.335 million to $1.460 million for the Top 10. Return to text

7. Changes between September 2007 and September 2010 (roughly the median SCF interview dates) were computed using Case-Shiller index and Wilshire index, both inflation-adjusted to 2016 dollars). Return to text

8. Another possibility is that preferences for home ownership declined among the Bottom 90, but there is little empirical evidence to support that notion. For example, surveys show that most renters would prefer to be owners, and crucially, there is very little difference in these preferences across high and low income renters over time, which would be consistent with the home-buying patterns observed in the SCF (Authors calculations from data in the FRBNY Survey of Consumer Expectations https://www.newyorkfed.org/microeconomics/sce) . Return to text

9. This counterfactual exercise was conducted by estimating housing wealth, stock wealth and all other wealth for each income groups. Stock wealth is estimated by aging forward the group's 2007 stock wealth using the Wilshire Index. To estimate housing wealth, we first estimate mean mortgage LTVs by housing tenure, where tenure is defined as: owning current home less than 10 years, 10-20 year or 20 or more years. We then estimate 2007 house values by tenure, and age those values forward using the average change in the local FHFA house price index experienced by each group between 2007 and 2016. We combine the house values and mortgage LTVs to construct a weighted mean value of home equity, where the weights are the 2007 tenure distribution. The intuition behind targeting the tenure distribution is to match entry rates into first, second, third, etc. time home buying that was present in 2007. To estimate other wealth, we

used mean group-level non-housing, non-stock wealth by housing tenure and stock ownership, and construct a weighted average using the 2007 tenure distribution and stock ownership rate as weights. Return to text

10. As of 2018 Q2 the homeownership rate was 64.3 percent, well below the 2007 Q2 rate of 68.2 percent, and only slightly above the 2016 Q2 rate of 62.9 percent (see https://www.census.gov/housing/hvs/index.html). As of March 2017, the share of persons age 25-64 participating in a pension at work was 26.6 percent, compared to 35.3 percent in 2007 and 27.7 percent in 2016 (Author's calculations based on data from https://www.bls.gov/cps). As of 2018 Q2 the share of adult persons usually working part time was 13.2 percent, up from 12.9 percent in 2007 Q2 and only slightly below the 13.5 percent observed in 2016 Q2 (Authors calculations based on data from https://www.bls.gov/ces). Return to text

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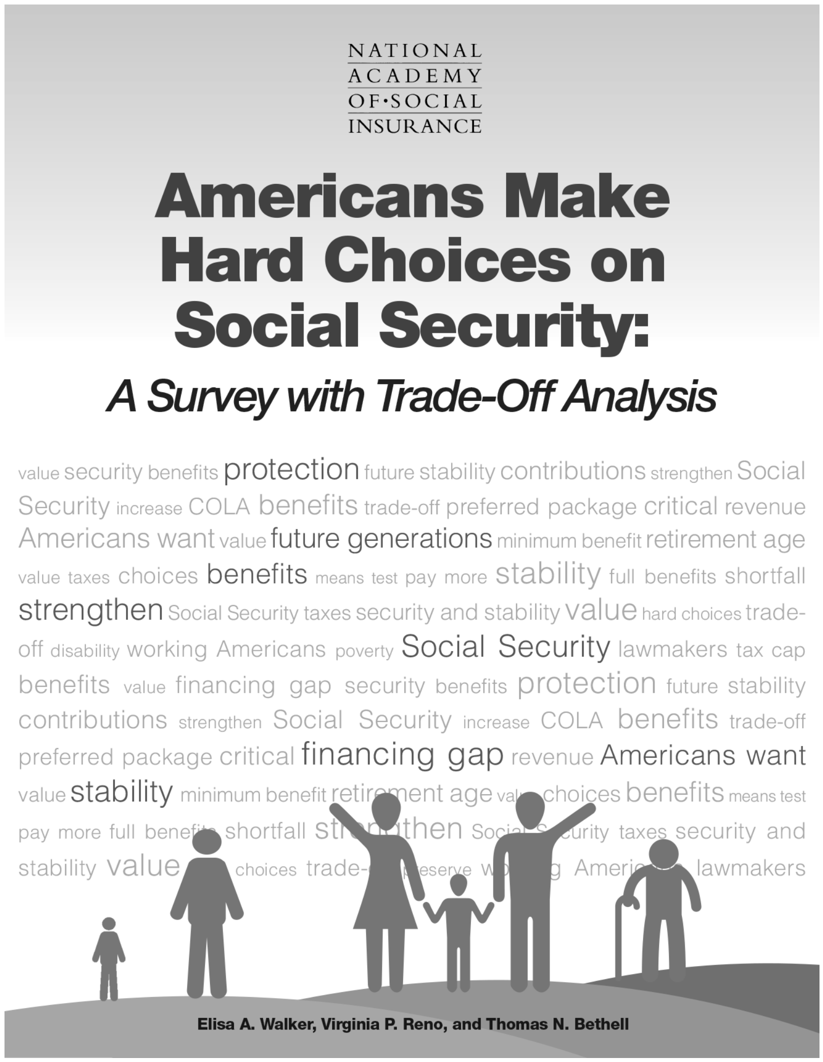

NATIONAL ACADEMY OF·SOCIAL INSURANCE

Americans Make Hard Choices on Social Security:

A Survey with Trade-Off Analysis

Elisa A. Walker, Virginia P. Reno, and Thomas N. Bethell

NATIONAL ACADEMY OF•SOCIAL INSURANCE

The National Academy of Social Insurance

Founded in 1986, the National Academy of Social Insurance is a nonprofit, nonpartisan organization made up of the nation's leading experts on social insurance. Social insurance encompasses broad-based systems that help workers and their families pool risks to insure against loss of income due to retirement, death, disability, or unemployment, and to ensure access to health care. The Academy's mission is to advance solutions to challenges facing the nation by increasing public understanding of how social insurance contributes to economic security. For more information, visit www.nasi.org.

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Greenwald & Associates is a market research firm headquartered in Washington, D.C. Founded in 1985, the firm has extensive experience in both quantitative and qualitative analysis of public opinion and consumer preferences in fields ranging from financial services to health, retirement, and aging policy. The firm's principal, Mathew Greenwald, Ph.D., was formerly the director of social research at the American Council of Life Insurers, and has been a member of the National Academy of Social Insurance since 2002. Ruth Helman, Research Director, managed the implementation of this study. For more information, visit www.greenwaldresearch.com.

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October 2014

Contents

Executive Summary

Social Security is the foundation of retirement security for almost all Americans. Workers pay for Social Security through deductions from their pay, and employers pay a matching amount. About a third of beneficiaries also pay income taxes on part of their benefits, and these taxes help pay for future benefits. Social Security funds that are not used to pay immediate benefits are invested in Treasury securities and earn interest income for the Social Security trust funds.

By law, Social Security cannot borrow money. If funds are expected to run short, lawmakers must adjust the law to bring income and outgo into balance. The 2014 report of the program's trustees projects that Social Security reserves will be gradually drawn down until they are depleted in 2033.[1] After that, income from workers' and employers' Social Security taxes and beneficiaries' income taxes would cover only about three-quarters of scheduled benefits.

The projected financing gap can be closed by scheduling future revenue increases or benefit reductions, or some combination of both. Steps could also be taken to improve the adequacy of benefits. Doing so would increase program costs, which in turn — in the absence of other changes — would increase Social Security's projected financing gap. This study aims to learn what Social Security changes Americans favor and are willing to pay for.

To better understand Americans' views of Social Security and their preferences regarding options to strengthen the program for the future, the National Academy of Social Insurance collaborated with Greenwald & Associates to conduct a multigenerational study in June 2014. Two focus groups, convened in March 2014 in Baltimore, MD, helped inform the questionnaire design. The study included an online survey of 2,013 Americans ages 21 and older to explore their attitudes toward Social Security and their views about its future. The study incorporated an innovative application of trade-off analysis, which enabled researchers to examine how survey respondents weighed the appeal or lack of appeal of various packages of Social Security policy changes. A large majority of the respondents (87%) reported that they are registered voters. This study updates the results of a prior study that the Academy conducted in 2012.[2] The methodology section of this report describes the focus groups, the survey, and the trade-off analysis.

Key Findings

Americans value Social Security, want to improve benefits, and are willing to pay for the program.

Americans say they don't mind paying for Social Security because they value it for themselves (73%), for their families (73%), and for the security and stability it provides to millions of retired Americans, disabled individuals, and children and widowed spouses of deceased workers (81%).

86% agree that current Social Security benefits do not provide enough income for retirees, and 72% agree we should consider raising future Social Security benefits in order to provide a more secure retirement for working Americans.

77% agree that it is critical to preserve Social Security benefits for future generations, even if it means increasing Social Security taxes paid by working Americans, and 83% agree it is critical to preserve Social Security benefits for future generations, even if it means increasing taxes paid by top earners.

Americans prefer a package of changes that eliminates Social Security's projected financing gap and improves benefits.

The trade-off analysis finds that, rather than maintain the status quo, 71% of respondents would prefer a package of changes that increases Social Security revenues, pays for benefit improvements, and eliminates the projected financing gap. Trade-off analysis is a market research technique often used to learn which combinations of product features – or, in this case, policy changes – consumers prefer *and* are willing to pay for.

The preferred package would:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the approximately 6% of workers who earn more than the cap ($117,000 in 2014) would pay into Social Security throughout the year, as other workers do. In return, they would get somewhat higher benefits.
- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. A worker earning $50,000 a year would pay about 50 cents a week more each year, matched by the employer.
- Increase Social Security's cost-of-living adjustment (COLA) to reflect the higher inflation experienced by seniors.
- Raise Social Security's minimum benefit so that a worker who pays into Social Security for 30 years can retire at 62 or later and have benefits above the federal poverty line (currently about $11,670 a year for 1 person).

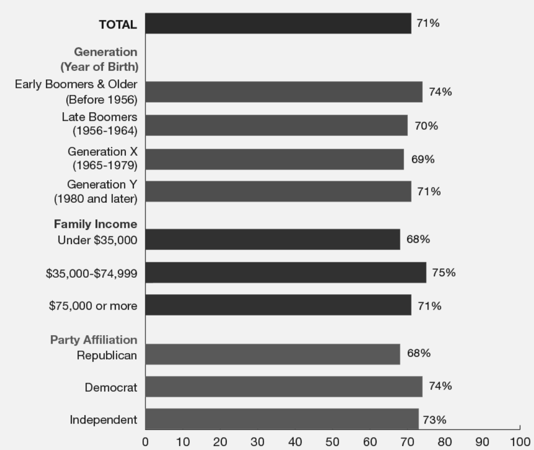
These four changes together would eliminate 113% of Social Security's projected long-term financing gap, providing a margin of safety. This package is preferred over the status quo by 7 in 10 survey participants across generations, income levels, and political party affiliations (Figure 1).

Certain changes have a strong impact on the appeal of policy packages.

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.
- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.
- Keep Social Security's full retirement age at 67 rather than raising it.
- Increase the COLA by basing it on inflation experienced by the elderly.

Figure 1. **Support for the Preferred Package of Policy Options in Trade-Off Analysis**



Source: National Academy of Social Insurance Survey, June 2014

In contrast, the trade-off analysis shows that options that *strongly decrease* a package's appeal would:

- Not increase Social Security's taxable earnings cap.
- Not increase Social Security's tax rate.
- Raise Social Security's full retirement age to 70.
- Lower the COLA.

Americans are counting on Social Security — but are not confident about its future.

Of respondents currently receiving Social Security, 95% say it is important to their monthly income; of those not currently receiving Social Security, 85% say it will be important to their income when they begin receiving benefits.

67% of respondents say that, without Social Security, they would have to make significant sacrifices or would not be able to afford the basics such as food, clothing, or housing in retirement.

62% of respondents say that they are not confident about the future of the program. Among those not yet receiving Social Security benefits, 68% lack confidence that they will receive all their earned benefits when they retire.

Americans' views about Social Security change when they are given factual information.

Official projections show that Social Security has sufficient funds to pay all benefits until 2033.[3] Just 24% of study participants know that Social Security would still be able to pay about 75% of scheduled benefits after 2033. Most of the rest think Social Security's finances would be in far worse shape.

After learning that raising Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that the program could pay full benefits for 75 years, the share of respondents who think Social Security financing is a crisis or a significant problem drops from 70% to 33%, while the share who think it is a manageable problem or not a problem at all rises from 30% to 67%.

About a third of respondents (33%) are not aware of Social Security's disability insurance protection. After learning that the average benefit for a disabled worker is $1,146 a month, just over half (55%) say they think that amount is too low. About 4 in 10 (41%) are not aware that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die. After learning that the average benefit for a child of a worker who died is $815 a month, nearly half of respondents (48%) say they think that amount is about right, while about 4 in 10 (43%) say they think it is too low.

SOCIAL SECURITY BASICS

Social Security is the foundation of retirement security for almost all Americans. While monthly benefits are modest — an average of $1,296 as of January 2014 — they are the main source of income for most seniors.[4] A third of elderly beneficiaries rely on Social Security for almost all (90% or more) of their income; two-thirds count on it for more than half of their income.[5] With its retirement benefits as well as life and disability insurance for workers and their families, Social Security keeps more than 22 million Americans out of poverty — including 1 million children, 6 million adults under age 65, and 15 million seniors.[6]

Workers pay for Social Security through deductions from their pay. They pay 6.2% of their earnings up to an annual cap ($117,000 in 2014) and employers pay a matching amount. In addition, about a third of beneficiaries pay income taxes on part of their benefits; these taxes go to Social Security's trust funds and to Medicare's Hospital Insurance trust fund to pay for future benefits.[7] Social Security funds that are not used to pay immediate benefits are invested in Treasury securities and earn interest income for the Social Security trust funds.

By law, Social Security funds can be used only to pay for Social Security benefits and administrative costs, which are low. Less than a penny of every dollar of outgo is spent on administration, while just over 99 cents is paid in benefits to the 58 million Americans who currently receive them.[8]

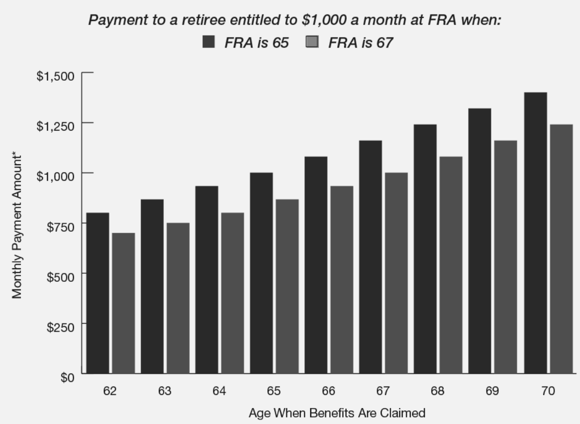
By law, Social Security cannot borrow money. If funds run short, Congress must adjust the law to bring income and outgo into balance. Every year the Social Security trustees issue a report that projects Social Security income and outgo over the next 75 years to give lawmakers and the public ample time to consider options to keep it in balance. According to the 2013 and 2014 reports, Social Security will have sufficient funds to pay all scheduled benefits until 2033. In the unlikely event that Congress did not act and the projection did not change by 2033, the reserves would be depleted and revenue coming into the system from workers' and employers' Social Security taxes and from beneficiaries' income taxes on benefits would cover only about three-quarters of scheduled benefits.[9]

Over Social Security's 79-year history, lawmakers have never failed to act to ensure that legislated benefits are paid. The latest major changes to Social Security were enacted in 1983. The biggest change affecting Baby Boomers and younger workers is the gradual increase in the age of eligibility to receive full retirement benefits, from 65 (for workers born before 1939) to 67 (for workers born in 1960 and later). That increase in the retirement age means that Americans age 54 and younger today face a permanent benefit reduction of 13-14% from what they would have received if the retirement age were still 65 and they claimed at the same age.[10] A second change permanently delayed Social Security's cost-of-living adjustments (COLAs) by half a year. The third important change made Social Security benefits subject to income taxes. Legislation enacted in 1983 and expanded in 1993 provides for taxing part of Social Security benefits for people whose income exceeds a certain limit, and for returning those income-tax revenues to the Social Security and Medicare trust funds.

continued on p.6

The combined effect of raising the full retirement age, delaying the COLA, and taxing benefits is a reduction of about 24%, on average, in after-tax benefit income for retired beneficiaries by 2050.[11] The retirement-age change lowers benefits for all retirees as shown in the chart below; the COLA delay lowers benefits slightly for all beneficiaries; and taxation of benefits lowers net after-tax benefits more for higher-income beneficiaries. The 1983 legislation did not balance these cuts for future beneficiaries with any increase in Social Security taxes paid by future workers and employers, nor has any subsequent action by Congress. This study finds that the public is willing to pay more to preserve Social Security benefits for future generations, and that most Americans prefer to do so by gradually lifting the cap on taxable earnings and gradually raising the Social Security tax rate. Survey respondents also prefer to increase benefits in targeted ways.

Increase in Full Retirement Age (FRA) from 65 to 67 Lowers Benefits



Source: Calculations based on Social Security Administration, 2010. "Effect of Early or Delayed Retirement on Retirement Benefits," www.socialsecurity.gov/OACT/ProgData/ar_drc.html

* Monthly payment reflects 8% delayed retirement credit after FRA

What This Study Found

This study updates previous research, including the Academy's 2012 study, *Strengthening Social Security: What Do Americans Want?* The findings of this study are consistent with the 2012 study. The survey first asked attitudinal questions to learn participants' overall views of Social Security, their confidence in its future, their willingness to consider increasing or reducing future benefits, and their willingness to pay for the program now and in the future. The survey then asked respondents whether they favor or oppose 14 specific policy changes. Each potential policy change included an official estimate of its effect on Social Security's long-term financing gap. Options that would improve benefit adequacy would increase the financing gap, while options that would raise future revenues or reduce future benefits would reduce or eliminate the gap. The survey questionnaire is in Appendix B.

Twelve of the 14 Social Security policy changes were examined in the trade-off analysis. The trade-off analysis determined which package of policy options is preferred by survey participants and the proportion of participants who favor that package over the status quo – that is, leaving Social Security unchanged. Findings from the trade-off analysis reinforce findings from the attitudinal survey.

Attitudes and Knowledge about Social Security

Overall Views of Social Security

More than 2 in 3 respondents (68%) say they have a favorable view of Social Security. This positive viewpoint is shared across generations (Table 1). While seniors — those born before or in the early part of the Baby Boom generation — are most likely to view Social Security favorably (79%), that view is shared by approximately two-thirds of respondents in the late Baby Boom generation (65%) and in Generation Y (68%), and by 57% of those in Generation X.

Favorable views of Social Security are reported by large majorities of Americans in all family income groups. Moreover, in contrast to their disagreements on many other issues,[12] majorities of Republicans (59%), Democrats (78%), and independents (65%) share a favorable view of the Social Security program.

> *More than a third (36%) of respondents **strongly** agree that they don't mind paying Social Security taxes because of the stability and security that Social Security provides to the millions of people who rely on its benefits.*

Willingness to Pay for Social Security

A more compelling test of Americans' support for the Social Security program is whether they are willing to pay for it. As noted, Social Security is financed mainly by deductions from workers' wages. Workers have 6.2% of earnings deducted from their paychecks to finance Social Security, and employers pay a matching amount.

Large majorities of respondents, both working and retired, say they do not (or did not) mind paying Social Security taxes because it helps millions of people (81%) and because they (73%) or their families (73%) will benefit from it (Table 2).

In a striking show of support, more than a third (36%) of respondents *strongly* agree that they don't mind paying Social Security taxes because of the stability and security that Social Security provides to the millions of people who rely on its benefits — retired and disabled Americans and the children and widowed spouses of deceased workers. Agreement is strong across demographic and

Table 1. **Overall Views of Social Security, by Generation, Family Income and Party Affiliation**

Overall, is your view of Social Security very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable?

Respondent Characteristics	*Percent Favorable*
Total	68%
Generation (Year of Birth)	
Early Boomers & Older (before 1956)	79
Late Boomers (1956-1964)	65
Generation X (1965-1979)	57
Generation Y (1980 and later)	68
Family Income	
Less than $30,000	71
$30,000 to $49,999	69
$50,000 to $74,999	66
$75,000 to $99,999	66
$100,000 or more	65
Party Affiliation	
Republican	59
Democrat	78
Independent	65

Source: National Academy of Social Insurance Survey, June 2014
All subsequent references to generations in this report use the years of birth listed in this table.

Table 2. **Willingness to Pay for Social Security and Views on Increasing Benefits**

Questions	*Percent Agree*	*Percent Strongly Agree*
I don't mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers.	81%	36%
I don't mind paying Social Security taxes because I know I would have to help support my parents, grandparents or other family members if they did not receive Social Security.	73	32
I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire.	73	39
Social Security benefits now are more important than ever to ensure that retirees have a dependable income.	85	48
Some people believe that Social Security benefits do not provide enough income for retirees. Do you agree or disagree?	86	38
To provide a more secure retirement for working Americans, we should consider increasing Social Security benefits.	72	34
Social Security taxes are too high already. We should plan for future benefit cuts rather than raise tax rates further.	45	15

Source: National Academy of Social Insurance Survey, June 2014

party lines; those agreeing include 72% of Republicans, 87% of Democrats, and 81% of independents (Table 3).

Views on the Role of Benefits

Another indicator of support for Social Security is respondents' agreement that benefits are critically important in today's uncertain economy, that benefits are not as adequate as they might wish, and that benefit increases merit consideration (Table 3).

- 85% of participants agree that "Social Security benefits now are more important than ever to ensure that retirees have a dependable income." Those in agreement include half (48%) who strongly agree with the statement.
- 86% believe that Social Security benefits do not provide enough income for retirees, and 72% believe we should consider increasing benefits in order to provide a more secure retirement for working Americans.

Willingness to pay for Social Security and to consider increasing benefits is widespread and shared across generations. Seniors in the early Baby Boom generation, late Boomers in mid-career and approaching retirement, and younger workers in Generation X and Generation Y show consistent agreement on these issues. Higher- and lower-income respondents also agree. Among Democrats, Republicans, and independents, clear majorities agree that Social Security benefits are more important than ever in today's volatile economy; that they don't mind paying Social

Table 3. **Views on Importance of Social Security, Paying Taxes, and Increasing Benefits, by Generation, Family Income and Party Affiliation**
(Percent Agreeing)

Respondent Characteristics	Social Security benefits now are more important than ever…	I don't/didn't mind paying Social Security taxes because it provides security and stability to millions…	… we should consider increasing Social Security benefits.
Total	85%	81%	72%
Generation			
Early Boomers & Older	92	87	81
Late Boomers	87	81	71
Generation X	81	76	65
Generation Y	80	77	69
Family Income			
Less than $30,000	88	85	80
$30,000 to $49,999	88	82	79
$50,000 to $74,999	89	81	70
$75,000 to $99,999	81	77	63
$100,000 or more	78	76	61
Party Affiliation			
Republican	80	72	65
Democrat	91	87	79
Independent	86	81	70

Source: National Academy of Social Insurance Survey, June 2014

> *"I'm a registered nurse. Nurses tend not to stay with [one] company, so we normally don't get pensions. I know Social Security will be significant for me."*
>
> – Younger female focus group participant

Security taxes because they see the value of the program to millions of Americans; and that proposals to improve the adequacy of Social Security benefits merit consideration.

Awareness of Disability and Survivors Benefits

Many respondents are unaware of Social Security's disability and survivors insurance protection, even though Social Security is the primary form of those protections for most families. One in 3 is unaware of the program's disability protections, and more than 4 in 10 are unaware of its survivors insurance protection for the children and widowed spouses of workers who die (Table 4).

When given the average benefit amounts for these two programs – in January 2014, those were $1,146 for a disabled worker and $815 for the child of a worker who died – most respondents say the benefit amounts are either too low or about right (Table 5). Fewer than 1 in 10 say the benefits are too high.

Views on Paying More for Social Security

Social Security is financed mainly by a dedicated tax deducted from workers' paychecks and matched by their employers. Only earnings up to a cap ($117,000 in 2014) are taxed and counted toward benefits. About 6% of all workers earn more than the cap; they and their employers stop

Table 4. **Awareness of Social Security's Disability and Survivors Protections**

Are you aware … ?	*Yes, Aware*	*No, Unaware*
… that workers earn disability insurance through Social Security?	67%	33%
… that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die?	59	41

Source: National Academy of Social Insurance Survey, June 2014

Table 5. **Views on Disability and Survivors Benefit Amounts**

Questions	*Too Low*	*About Right*	*Too High*
The average Social Security benefit for a disabled worker was $1,146 a month in January 2014. Do you think that amount is …	55%	38%	7%
The average Social Security benefit for a child of a worker who died was $815 a month in January 2014. Do you think that amount is …	43	48	8

Source: National Academy of Social Insurance Survey, June 2014

paying into Social Security when they reach the cap.[13] In 2014, for example, a worker making $150,000 stopped paying taxes when his or her earnings reached $117,000 in September, while someone making $1 million stopped paying in February. Proposals to increase revenues for Social Security include raising or eliminating the earnings cap. That change would affect the 6% of workers whose earnings exceed the cap. Another way to increase Social Security revenues is to increase the 6.2% tax rate that workers and employers each pay. That would affect all workers who pay into Social Security. The survey explored Americans' views on who might pay more in order to improve Social Security's finances (Figure 2).

- When asked whether they agreed or disagreed that "It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by working Americans," 77% of respondents agreed, including 36% who strongly agreed. Those agreeing include 69% of Republicans, 84% of Democrats, and 76% of independents (Table 6).

- When asked whether they agreed or disagreed that "It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by top earners," 83% of respondents agreed, including 54% who strongly agreed. Those agreeing include 71% of Republicans, 92% of Democrats, and 84% of independents.

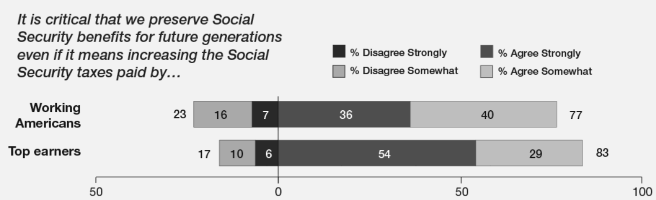
In brief, large majorities of Americans believe that all workers could contribute somewhat more to Social Security if necessary, and that better-off Americans could pay more because they have higher earnings. This holds true across generations, across income groups, and across political parties.

Another question asked respondents to consider two statements and choose which came closer to their views. The results confirm Americans' willingness to pay for Social Security and reluctance to cut benefits (Table 7). Nearly 8 in 10 respondents (79%) agree that "we should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans," while 21% agree that "we shouldn't raise taxes on any American, even if it means reducing Social Security benefits."

Trade-Off Analysis

Americans support Social Security, are willing to increase taxes in order to pay for it, if necessary, and want to consider benefit improvements. The trade-off analysis adds a new dimension to these attitudinal findings by identifying specific packages

Figure 2. **Views on Paying More to Preserve Social Security**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Table 6. **Views on Paying More to Preserve Social Security, by Generation, Family Income, and Party Affiliation**
(Percent Agreeing)

	It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by…	
Respondent Characteristics	*Working Americans*	*Top Earners*
Total	77%	83%
Generation		
Early Boomers & Older	87	87
Late Boomers	77	84
Generation X	71	81
Generation Y	70	81
Family Income		
Less than $30,000	77	84
$30,000 to $49,999	84	90
$50,000 to $74,999	76	85
$75,000 to $99,999	72	79
$100,000 or more	72	77
Party Affiliation		
Republican	69	71
Democrat	84	92
Independent	76	84

Source: National Academy of Social Insurance Survey, June 2014

of policy changes that respondents prefer. Trade-off analysis (also known as conjoint analysis) is a technique often used in marketing research to learn which elements of various packages of product features consumers want *and* are willing to pay for, and to estimate which package is most favored. In this study, trade-off analysis is used to learn which of various packages of Social Security policy changes Americans want and are willing to pay for. This application of trade-off analysis to Social Security policy was first used in the Academy's 2012 study. The technique allows researchers to calculate which package of Social Security changes is most preferred over the status quo and what proportion of participants prefer that package. More details about the trade-off analysis are in the methodology section of this report; examples of the exercise and descriptions of the policy options that respondents considered are in Appendices C and D, respectively.

The 12 policy options included in the trade-off analysis, and the impact of each option on Social Security's long-term financing gap, are shown in Table 8. Four options to raise revenues — two by raising the cap on earnings subject to Social Security taxes and two by raising the tax rate — reduce the financing gap. Four options to lower future benefits — two by raising the full retirement age, one by means-testing benefits, and one by lowering the annual cost-of-living adjustment — also reduce the financing gap. In contrast, the four options that increase the adequacy of benefits would increase the financing gap.

The trade-off analysis finds that Americans prefer packages that both raise Social Security revenues and increase benefits.

Americans' Preferred Packages of Policy Changes

The trade-off analysis finds that Americans prefer packages that both raise Social Security revenues and increase benefits. The most favored solution — Package A (Table 9, Figure 1) — is preferred over the status quo by 71% of respondents. It would eliminate 113% of Social Security's financing gap, meaning that it would entirely eliminate the gap and have money left over for a margin of safety.[14]

Package A would:

1. Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the 6% of workers who earn more than the cap would pay into Social Security all year, as other workers do. In return, they would get somewhat higher benefits.

2. Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. The increase would be so gradual that a worker earning $50,000 a year would pay about 50 cents a week more each year, matched by the employer.

3. Increase Social Security's cost-of-living adjustment (COLA) to reflect the higher level of inflation experienced by seniors.

4. Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor. (The poverty line in 2014 is about $11,670 a year for one person.)[15] Currently, lifetime low-wage workers are at risk of living in poverty in retirement, even after paying Social Security taxes throughout their working lives.

A second package — Package B — received the next highest level of support (68%) in the trade-off analysis. Package B differed only slightly from Package A. The only difference is that Package B, instead of increasing the minimum benefit as in Package A, would increase benefits across the board by $65 a month (Table 9). It would eliminate more than 90% of the financing gap.

While preferences for Packages A and B vary slightly by segments of the population, these differences are small (Table 9). Although one might expect younger respondents to resist packages that include tax increases — since they will bear the brunt of such increases — this does not appear to be the case. Preferences for Packages A and B,

Table 7. **Preferences on Reducing Benefits or Increasing Taxes**

Which of the two statements below comes closer to your view?	*Percent Agree*
We should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans.	79%
We shouldn't raise taxes on any American, even if it means reducing Social Security benefits.	21

Source: National Academy of Social Insurance Survey, June 2014

Table 8. **Individual Policy Changes in Trade-Off Analysis and Impact of Each on Social Security's Financing Gap**

Policy Option	*Percent Change in Long-Term Financing Gap*
Social Security's Taxable Earnings Cap	
• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed	-74%
• Lift the earnings cap over 5 years to tax 90% of earnings	-29
• No change	0
Social Security Tax Rate	
• Raise the tax rate for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	-76
• Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers	-52
• No change	0
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	-16
• Gradually raise the full retirement age to 70	-25
• No change	0
Means-Test Social Security	
• Require people to provide proof of eligibility based on income to receive benefits	-20
• No change	0
Social Security's Cost-of-Living Adjustment (COLA)	
• Lower the Social Security COLA	-20
• Increase the Social Security COLA by basing it on inflation experienced by seniors	+14
• No change	0
Benefits for All Beneficiaries	
• Increase benefits by $65 a month for all beneficiaries	+29
• No change	0
Benefits for Lifetime Low-Wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	+9
• No change	0
Children's Benefits for Students	
• Restore the student benefit until age 22 for children whose working parents have died or become disabled	+3
• No change	0

Source: National Academy of Social Insurance, based on information in Appendix E
Changes in financing gap are based on the projections of the 2013 Social Security Trustees Report.

Table 9. **Comparing Package A and Package B**

Package Features	*Package A*	*Package B*
Common Features	• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed • Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers • Increase the COLA by basing it on inflation experienced by seniors	
Different Features	• Increase the minimum Social Security benefit	• Increase benefits by $65 a month for all beneficiaries
Decline in Financing Gap	113%	93%
	Percent Preferring Package to No Change	
Total	71%	68%
Generation		
Early Boomers & Older	74	72
Late Boomers	70	68
Generation X	69	65
Generation Y	71	68
Family Income		
Under $35,000	68	65
$35,000 to $74,999	75	72
$75,000 or more	71	68
Party Affiliation		
Republican	68	66
Democrat	74	71
Independent	73	69

Source: National Academy of Social Insurance Survey, June 2014
Change in financing gap is based on the projections of the 2013 Social Security Trustees Report.

both of which raise taxes, are slightly higher for those in the early Baby Boom and earlier generations, yet nearly two-thirds of Generation X and Generation Y still prefer (over the status quo) packages that increase Social Security revenues and improve benefits. Similarly, one might expect Republicans to prefer packages that do not increase taxes, yet about two-thirds of Republicans prefer Packages A and B over the status quo.

Prior to engaging in the trade-off exercise, survey respondents were also asked whether they would favor or oppose a composite package of policy changes that would entirely eliminate Social Security's financing gap. This package contained the same elements as Package A. Altogether, 76% of respondents favor this package, including 30% who strongly favor it (Figure 3). While this direct question – do you favor or oppose this package? – is different from the methods used in the trade-off analysis, the consistent results reinforce the finding that Americans favor policies that rely on revenue increases to close Social Security's financing gap and pay for modest benefit improvements.

At least 7 in 10 respondents in every generation, family income group, and political party affiliation favor Package A (Figure 3). Support is consistent even in the highest family income group, which includes the top 6% of earners who make more than the taxable earnings cap and who would pay more into Social Security if the cap were gradually eliminated. The gradual increase in the tax rate would affect workers in all income groups. Support is also strong across party lines, with 72% of Republicans and 80% of Democrats in favor of Package A.

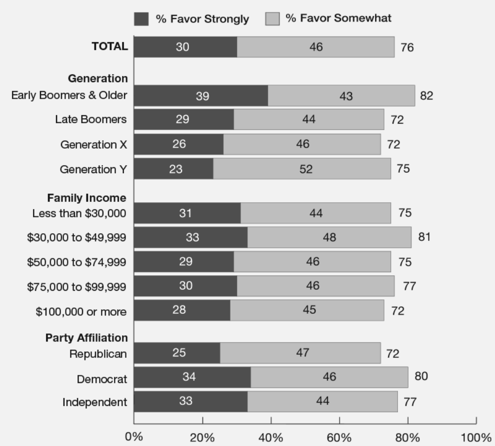
Individual Policy Options in the Trade-off Analysis

Trade-off analysis can estimate the appeal of specific policy options within packages. Table 10 shows the appeal of each of the policy changes examined in the trade-off analysis. For example, when a policy option has a "strong positive" impact, respondents were much more likely to choose a package when that option was included.

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.

Figure 3. **Support for Package A, by Generation, Family Income, and Party Affiliation**



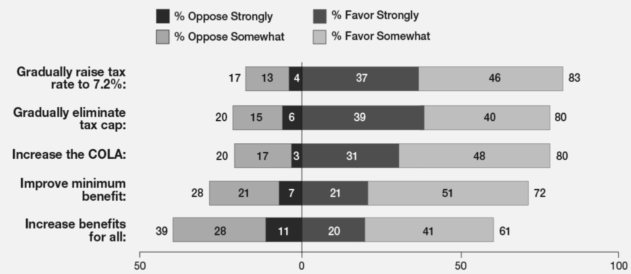
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Table 10. **Individual Policy Changes in Trade-Off Analysis and Impact on the Appeal of a Policy Package**

Policy Option	*Impact on Appeal of a Policy Package*
Social Security's Taxable Earnings Cap	
• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed	**Strong Positive**
• Lift the cap over 5 years to tax 90% of earnings	Weak Positive
• No change	**Strong Negative**
Social Security Tax Rate	
• Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers	**Strong Positive**
• Raise the tax rate for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	Little Impact
• No change	**Strong Negative**
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	Little Impact
• Gradually raise the full retirement age to 70	**Strong Negative**
• No change	**Strong Positive**
Social Security's Cost-of-Living Adjustment (COLA)	
• Increase the Social Security COLA by basing it on inflation experienced by seniors	**Strong Positive**
• Lower the Social Security COLA	**Strong Negative**
• No change	Little Impact
Benefits for Lifetime Low-Wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	Weak Positive
• No change	Weak Negative
Benefits for All Beneficiaries	
• Increase benefits by $65 a month for all beneficiaries	Weak Positive
• No change	Weak Negative
Means-Test Social Security	
• Require people to provide proof of eligibility based on income to receive benefits	Weak Negative
• No change	Weak Positive
Children's Benefits for Students	
• Restore the student benefit until age 22 for children whose working parents have died or become disabled	Little Impact
• No change	Little Impact

Source: National Academy of Social Insurance Survey, June 2014

Figure 4. **Five Preferred Policy Options**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.
- Keep Social Security's full retirement age at 67 rather than raising it.
- Increase the COLA by basing it on inflation experienced by seniors.

In contrast, the trade-off analysis shows that options that strongly decrease a package's appeal would:

- Not lift the taxable earnings cap for Social Security.
- Not increase the Social Security tax rate.
- Raise Social Security's full retirement age to 70.
- Lower the COLA by using a new measure of inflation.

Views on Individual Policy Options

The survey also asked respondents their views on policy options one at a time. While this type of direct question – do you favor or oppose this option? – is different from the methods used in the trade-off analysis to estimate the appeal of different options as part of a package, the results are consistent. The five options included in Packages A and B in the trade-off analysis were also strongly favored in the survey questions (Figure 4).

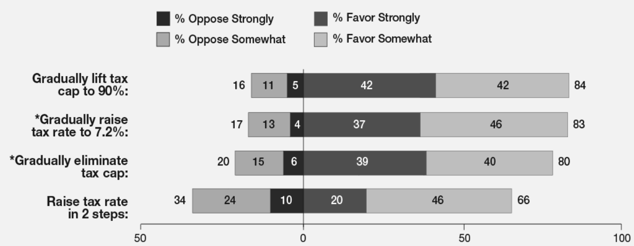
Majorities of respondents support all of the revenue-raising options and all of the options to increase Social Security benefits. Options that would reduce benefits generally received low support. The extent to which respondents favor or oppose individual options to increase revenues, increase benefits, or reduce benefits is discussed next.

Revenue Increases

Participants examined four options to increase revenues for Social Security. The two that are part of the preferred packages in the trade-off exercise include gradually eliminating the taxable earnings cap and very gradually raising the Social Security tax rate that workers and employers each pay from 6.2% to 7.2%. Two other options include lifting the taxable earnings cap but not eliminating it completely, and raising the tax rate in two steps to 8.2%. All four of the revenue options are favored

> *"It shouldn't matter what you make.*
> *Everybody should pay into Social Security*
> *12 months of the year."*
>
> – Younger female focus group participant, referring to lifting the cap on taxable earnings

Figure 5. **Revenue Options**



Source: National Academy of Social Insurance Survey, June 2014
Starred options (*) were included in the preferred packages (Package A and/or B) in the trade-off analysis.
Bars may not total due to rounding.

by large majorities in the survey, and three of the options are *strongly* favored by more than a third of respondents (Figure 5).

Findings in these survey questions confirm findings from the trade-off analysis: the two revenue increase options that were part of the preferred packages in the trade-off analysis were also strongly favored in the survey. More than four in five respondents (83%) favor gradually raising the Social Security tax rate to 7.2%, and 80% favor gradually eliminating the taxable earnings cap. Moreover, of respondents favoring these options, nearly half favor them strongly.

Support for each revenue increase is widespread across generations, family income groups, and party affiliations. Table 11 shows the percent of respondents in each demographic group favoring the two revenue options that were part of the preferred packages. These findings regarding specific policy changes confirm earlier findings about Americans' general attitudes: across demographic and party lines, Americans believe that all workers can pay somewhat more to preserve Social Security and that better-off workers can pay more.

Gradually eliminate the taxable earnings cap: Gradually eliminating the tax cap over 10 years would mean that the top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as everyone else does. In return they would receive somewhat higher benefits when they retire. This change would reduce the financing gap by 74%. The trade-off analysis shows that gradually eliminating the taxable earnings cap over 10 years has a strong positive impact on the appeal of a package, and the survey results confirm this finding. Even in the top income group – with family incomes over $100,000 – a large majority

"Fifty cents a week seems negligible. Even [people] working in a fast food place, young kids, can handle 50 cents a week. They won't even notice 50 cents a week."

– Older female focus group participant, referring to gradually raising the Social Security tax rate

Table 11. **Two Preferred Revenue Options by Generation, Family Income, and Party Affiliation**
(Percent Favoring)

Respondent Characteristics	*Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security*	*Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% to 7.2%*
Total	80%	83%
Generation		
Early Boomers & Older	84	88
Late Boomers	81	84
Generation X	79	79
Generation Y	74	79
Family Income		
Less than $30,000	80	85
$30,000 to $49,999	83	86
$50,000 to $74,999	81	82
$75,000 to $99,999	79	81
$100,000 or more	76	77
Party Affiliation		
Republican	79	79
Democrat	80	87
Independent	81	82

Source: National Academy of Social Insurance Survey, June 2014

(76%) favors eliminating the cap on earnings that are taxed for Social Security, a change that would affect the top 6% of earners.

Gradually raise the tax rate: Similarly, gradually raising the Social Security tax rate over 20 years from 6.2% to 7.2% also has a strong positive appeal in both the trade-off analysis and the survey's attitudinal question. For a worker earning $50,000, raising the rate by 1/20 of 1% a year for 20 years would mean, each year, paying about 50 cents more a week, matched by the employer. This change would reduce the financing gap by 52%. In every demographic group surveyed, large majorities (including 83% of all respondents) supported gradually raising the tax rate in this way.

Gradually Lift the Taxable Earnings Cap to Cover 90% of Earnings: When Congress last adjusted the cap, it set the cap to cover 90% of all earnings by American workers. Because the earnings of the highest-paid workers have increased faster than average earnings, the cap now covers only about 83% of all earnings. Survey participants were asked whether they would favor or oppose a proposal that would gradually increase the taxable earnings cap to $230,000 per year, a level that would restore the intent of Congress to subject 90% of all earnings to Social Security taxes. The top-earning 6% would pay more into Social Security and would receive somewhat higher benefits in return. This change would reduce the financing gap by 29%.

In the survey, this option was strongly supported by more respondents than any other individual policy option: 84% of respondents favor it, including 42% who favor it strongly (Figure 5). Trade-off analysis shows that this policy change has a weak positive impact on the appeal of a package: it is preferred over not lifting the cap at all, but it has much less appeal than eliminating the cap altogether (Table 10). Respondents may favor lifting the tax cap when considering options individually, but when considering an entire package of changes – including the package's overall impact on Social Security's financing gap – they strongly prefer eliminating the cap entirely, perhaps because of its larger effect on reducing the financing gap.

Raise Social Security's Tax Rate in Two Steps: This option would increase, in two steps, the Social Security tax rate that workers and employers each pay — from 6.2% now to 7.2% in 2022 and to 8.2% in 2052. Each change would mean an increase of $9.60 per week, matched by the employer, for a worker earning $50,000 per year. A majority (66%) of survey respondents favor this package, but support for this option was lower than for any of the other three revenue options in the survey. Likewise, trade-off analysis shows that this option has little impact on the appeal of a package, likely because respondents strongly prefer to very gradually lift the tax rate to 7.2% over 20 years (Table 10)

Benefit Increases

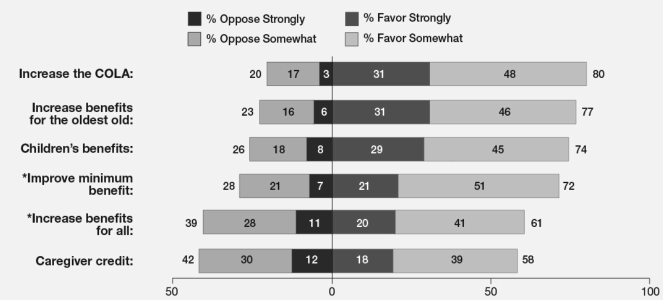
Individual policy questions in the survey asked participants' views on various options to increase Social Security benefits for particular groups or for all beneficiaries. All of these options were favored by a majority of participants (Figure 6). Three of the options were also included in Packages A and/or B in the trade-off analysis, confirming that respondents not only like these options but are willing to pay for them.

Increase the Cost-of-Living Adjustment (COLA): The purpose of Social Security's COLA is to automatically adjust benefits to keep up with inflation. One proposal would base the COLA on inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation. To illustrate, if average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA for the elderly would increase a $1,000 monthly benefit by $32 instead of by $30. While this change would more fully protect seniors against inflation, it would also increase Social Security's financing gap by 14%. Four in five respondents (80%) favor this option, with nearly a third strongly favoring it – putting this among the most strongly favored of all the options included in the survey (Figure 6). Support is consistent across generations, family income levels and political party affiliation (Appendix Figure A1). Similarly, trade-off analysis shows that increasing the COLA strongly increases the appeal of a policy package (Table 10), and it is included in both of the preferred packages of changes.

Increase Benefits for the Oldest Old (85+): Older beneficiaries are most likely to rely on Social Security for most or all of their income. Respondents were asked their opinion of increasing benefits for Social Security beneficiaries by $65 a month at age 85. This change would increase

> *"I support [extending benefits for surviving children] because this was me. My mother died when I was 17. I was in high school. I collected on her Social Security [in college], and it made a big difference in my life."*
>
> – Older female focus group participant, referring to restoring children's benefits for students

Figure 6. **Options to Increase Benefits**



Source: National Academy of Social Insurance Survey, June 2014
Starred options (*) were included in the preferred packages (Package A and/or B) in the trade-off analysis.
Bars may not total due to rounding.

Social Security's financing gap by 4%. More than three quarters (77%) of respondents favor this option, including 31% who favor it strongly.

Children's Benefits for Students: Children whose working parents have died or become disabled receive Social Security benefits until age 18 (or 19 if they are still in high school). In the past, these benefits could continue until age 22 if the child was attending college or vocational school. The survey asked respondents whether they would support restoring those benefits, which would help children in families that have lost a breadwinner's income to complete their education.[16] Restoring these benefits for children of disabled or deceased workers would increase Social Security's financing gap by 3%. About three quarters (74%) of survey respondents favor this option, although trade-off analysis shows that its inclusion has little impact on the appeal of a package (Table 10).

Increase Social Security's Minimum Benefit: Men and women who work all their lives at low wages are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked. (For example, the current benefit for a life-long, full-time minimum wage worker retiring at age 62 is $8,230 a year.)[17] One proposal would raise the minimum Social Security benefit to ensure that someone who works and

> *"I've worked around a lot of low wage workers and you'd be surprised – they're not all teenagers. Not everybody is going to be a manager or an owner. So I think there should be a minimum, if they've worked for 30 years, even if we are putting in a little bit more to make sure [it happens]."*
>
> – Older male focus group participant, referring to increasing the minimum benefit for lifetime low-wage workers

pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is currently about $11,670 a year for one person.) This change would increase Social Security's financing gap by 9%. More than 7 in 10 (72%) of survey respondents favor increasing the minimum benefit, including about 1 in 5 (21%) who favor it strongly. Support is consistent across generations, family income levels and political party affiliation (Appendix Figure A2). In the trade-off analysis, this option is part of the preferred package, and including this minimum benefit in a policy package slightly increases the appeal of the package (Table 10).

Increase Benefits for All Beneficiaries: Social Security benefits are modest; the average retirement benefit in January 2014 was $1,296 per month. One proposal would increase Social Security benefits by $65 a month for all beneficiaries. This change would increase the financing gap by 29%. Survey respondents were asked whether they would favor or oppose this benefit increase, and 61% favor it. Support is relatively consistent across generations, family income groups, and political party affiliations, with majorities in almost all groups supporting increasing benefits for all workers (Appendix Figure A3). Only in the highest family income group (with incomes above $100,000) does support fall below half: in that group, 48% support this option. Trade-off analysis shows that this feature is included in Package B, the second most preferred package of changes, and generally has a weak positive effect on the appeal of a package (Table 10).

Caregiver Credit: Social Security benefits are based on the amount of money workers earn over their entire careers. Currently, when a working parent leaves the workforce for a period of time to care for children, that uncompensated time counts as zeros in computing the earnings to be replaced by Social Security benefits. Survey respondents were asked their opinions of a proposal that would count that unpaid time toward the parent's future Social Security benefits so that benefits are not reduced because of this gap in paid work. This change would increase Social Security's financing gap by 8%. A majority (58%) of survey respondents favor this option.

Benefit Reductions

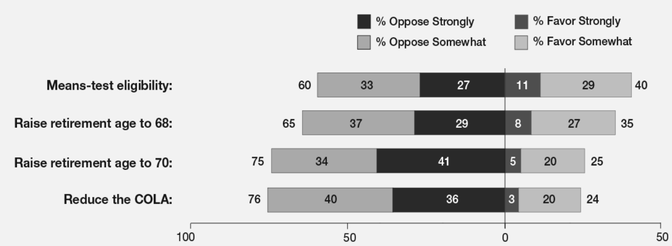
Four survey questions asked respondents about their views on ways that Social Security benefits might be reduced to help balance the system's future finances. Options include reducing the COLA, means-testing eligibility for benefits, and raising the age of eligibility for full retirement benefits from 67 to 68 or 70. The survey finds that Americans are much less inclined to reduce future benefits than to raise future revenues as a way to balance Social Security's long-term financing. None of the options to reduce benefits garnered majority support (Figure 7).

Means-Test Social Security: Means-testing would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Benefits would be reduced for individuals with non-Social Security annual income higher than $55,000 ($110,000

"With raising the retirement age, there's a lot of construction workers and a lot of [people in] manual labor that just can't do it after 65."

– Older male focus group participant,
referring to raising Social Security's full retirement age

Figure 7. **Options to Reduce Benefits**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

for couples) and eliminated for income higher than $110,000 ($165,000 for couples). Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes. This proposal might reduce the financing gap by 20%. More survey respondents (40%) favor means-testing than any other option to reduce benefits, but a majority (60%) oppose it, and trade-off analysis shows that means-testing has a weak negative effect on the appeal of a package (Table 10). Opposition is steady across generations, income levels, and political party affiliations (Appendix Figure A4).

Raise the Full Retirement Age to 68 or 70: Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can begin collecting Social Security retirement benefits before their full retirement age, starting at age 62, but benefits are reduced. When the full retirement age is higher, the reduction for starting benefits at age 62 (or any given age) is proportionally larger, so increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase from 65 to 67 is a 13% benefit cut.

Further increasing the full retirement age to 68 would reduce retirement benefits by another 6-7% for younger workers. This change would reduce Social Security's financing gap by 16%. Nearly two thirds (65%) of survey respondents oppose increasing the retirement age to 68, with 29% opposing it strongly. Trade-off analysis shows that this change has little impact on the appeal of a package (Table 10).

Raising the full retirement age to 70 drew even more opposition. This change would reduce monthly benefits by about 21% on top of the change from 65 to 67. It would reduce Social Security's financing gap by 25%. Fully three quarters (75%) of survey respondents oppose this change, and more than 4 in 10 oppose it strongly. Opposition is steady across generations, income levels, and political party affiliations (Appendix Figure A5). Similarly, trade-off analysis shows that including this change in a package of policy changes has a strong negative impact on the appeal of the package (Table 10).

Reduce the COLA: This policy option would lower the cost-of-living adjustment (COLA) by using a different measure of inflation (the chained CPI) that generally rises more slowly than the current measure. This change would reduce beneficiaries' protection against inflation, and the small differences would add up over time, so the oldest seniors would experience the biggest benefit cuts overall. This change would reduce Social Security's financing gap by 20%. More than three quarters (76%) of respondents oppose reducing the COLA, including 36% who oppose it strongly. Similarly, trade-off analysis shows that including this change has a strong negative impact on the appeal of a package (Table 10).

Confidence in Social Security's Future

Americans Are Counting on Social Security – But Lack Confidence in its Future

Of those currently receiving Social Security, 95% say it is important to their monthly income; of those not currently receiving Social Security, 85% say it will be important to their income when they begin receiving benefits. Two thirds of respondents (67%) say that without Social Security they would have to make significant sacrifices or would not be able to afford the basics such as food, clothing, or housing in retirement.

The survey findings confirm that despite their strong support for Social Security, most Americans do not feel very confident about the program's future (Table 12).

- Most respondents (62%) say they are not very or not at all confident in the future of Social Security.
- When respondents not yet receiving Social Security benefits are asked whether they are confident that they will receive all of the benefits they have earned and are supposed to receive, 68% say they are not confident.

Low levels of confidence are consistent across all generations of Americans not yet receiving Social Security benefits (Table 12). And substantial majorities of people not yet receiving benefits — regardless of income level or political party affiliation — express doubts that the benefits they are supposed to receive when they retire will actually be paid to them.

Views about Social Security Change When Facts Are Provided

Official projections by Social Security's actuaries in both the 2013 and 2014 Social Security Trustees Reports show that the program has sufficient funds to pay 100% of scheduled benefits until 2033. When survey participants are asked what would happen after 2033 if nothing is done to strengthen the program in the meantime, just 24% know that Social Security would still be able to pay about three-quarters of scheduled benefits. Most of the rest think Social Security's finances would be in far worse shape; nearly 3 in 10 (28%) think Social Security would be unable to pay any benefits at all (Table 13).

After learning that raising Social Security's taxes from 6.2% to 7.7% of earnings for both workers and employers would ensure that the program could pay full benefits for 75 years, the share of survey participants who think Social Security financing is a crisis or significant problem drops from 70% to 33%, while the share who think it is a manageable problem or not a problem at all rises from 30% to 67% (Table 14, Figure 8). The availability of factual information substantially allays respondents' concerns about the future of Social Security.

Table 12. **Confidence in Social Security's Future**

Respondent Characteristics	All Respondents *How confident are you in the future of the Social Security system?*	Respondents not yet receiving Social Security *How confident are you that all of the Social Security benefits you are supposed to get will be available to you when you retire?*
Confident	38%	32%
Not confident	62	68
Respondents by Generation, Family Income, and Party Affiliation (Percent *not* confident):		
Generation		
Early Boomers & Older	46	34
Late Boomers	64	66
Generation X	72	76
Generation Y	68	75
Family Income		
Less than $30,000	56	65
$30,000 to $49,999	54	63
$50,000 to $74,999	68	75
$75,000 to $99,999	66	69
$100,000 or more	63	69
Party Affiliation		
Republican	69	75
Democrat	54	59
Independent	64	71

Source: National Academy of Social Insurance Survey, June 2014

Table 13. **Knowledge of Social Security's Future Financing**

Official Social Security Administration projections show that the Social Security system has enough money to pay all benefits until the year 2033. If no changes are made to the program, which one of the following do you think would be most likely to happen after 2033?

Social Security would be able to pay 100% of benefits	11%
Social Security would be able to pay 75% of benefits	24
Social Security would be able to pay 50% of benefits	26
Social Security would be able to pay 25% of benefits	10
Social Security would be unable to pay benefits at all	28

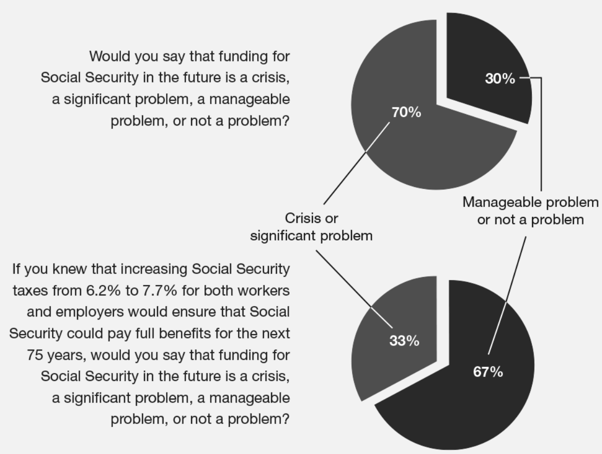
Source: National Academy of Social Insurance Survey, June 2014

Table 14. **Perception of Social Security Funding Shortfall**

	No new information	*If you knew that increasing Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years…*
Would you say that funding for Social Security in the future is … ?		
Crisis or significant problem	70%	33%
Crisis	23	9
Significant problem	47	24
Manageable problem, or not a problem	30	67
A manageable problem	27	58
Not a problem	3	9

Source: National Academy of Social Insurance Survey, June 2014

Figure 8. **Perception of Social Security Shortfall: Effect of New Information**



Source: National Academy of Social Insurance Survey, June 2014

Social Security payments now comprise about 5% of the economy (gross domestic product, or GDP). As Boomers continue to retire, that share will rise to about 6.2% of GDP by 2035, and will then drop back and level off at about 6% for the rest of the next 75 years.[18] When asked whether they agree or disagree that "this means that as a nation we can afford Social Security," a majority (63%) agrees that the program is affordable. Providing economic context helps respondents assess whether Americans in the future can afford to maintain benefits.

Comparisons with 2012 Study

This study updates the Academy's 2012 study, *Strengthening Social Security: What Do Americans Want?*, which was released in January 2013.

In large part, the present study replicates the 2012 study. Both studies included two focus groups, an online survey of 2,000 Americans drawn from a consumer panel, and a trade-off exercise. Many of the same questions were asked in both studies. The key findings are also consistent.

Wording Changes

While the main findings and much of the methodology are consistent between the two studies, some differences in survey questions are worth noting. All of the Social Security data and cost estimates used in the survey and trade-off exercise were updated to reflect the most current data available. Some survey questions and trade-off definitions had wording changes to improve clarity, often in response to feedback from the focus groups. For example, when considering increasing Social Security's minimum benefit for lifetime low-wage workers, several focus group participants asked for information on what wage level is considered "low-wage" and on the poverty line. In response, the description of that option in the present study included examples of low wage earnings ("for example, full-time at the minimum wage") and of the poverty line ("about $11,670 a year, or $970 a month, for one person"). The full text of the survey questionnaire is in Appendix B.

In the 2012 survey, questions asking whether respondents favor or oppose individual policy changes included "not sure" as an answer choice in the middle of the scale, and respondents often chose that answer. In order to encourage respondents to indicate their preferences despite some uncertainties, the new study removed "not sure" as a response choice. Respondents could indicate that they "somewhat" or "strongly" favored or opposed each change.

Table 15. **Removing "Not Sure" as an Answer Choice**

Do you favor or oppose this change [raising the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052]?	*2012 Study*	*2014 Study*
Favor strongly	24%	20%
Favor somewhat	30	46
Not sure	26	-
Oppose somewhat	14	24
Oppose strongly	6	10

Source: National Academy of Social Insurance Surveys, September 2012 and June 2014

To illustrate, Table 15 presents the 2012 and 2014 responses to the question asking respondents' views on raising the Social Security tax rate in two steps in the future. The question wording and answer choices were identical except for removing "not sure" as an answer choice. Without "not sure" as an answer choice, more respondents say they "somewhat" favor or oppose the change.

Because of these wording changes, the responses to many of the survey questions in the present study are not directly comparable to the 2012 results. Moreover, some new questions were added in the present study, for instance questions about Social Security's disability and survivors protections (Tables 4 and 5).

Small Changes in Findings

The present study confirms findings from the 2012 study that Americans across generations, income levels, and party affiliations say they value Social Security, they don't mind paying for it, and they are willing to pay more, if necessary, to preserve benefits for future generations. On some questions, support for Social Security appears to be slightly lower in the present study compared to the 2012 study. For example, 68% of respondents – compared to 72% in 2012 – say they have a favorable view of Social Security, and 72% – compared to 75% in 2012 – say we should consider increasing benefits in order to provide a more secure retirement for working Americans. These changes are small and may simply reflect the normal variations to be expected when conducting surveys over time.

Americans' preferences for strengthening Social Security remain stable. In both studies, trade-off analysis indicates that respondents' preferred package of policy changes to Social Security (Package A) would gradually eliminate the taxable earnings cap, gradually raise the tax rate to 7.2%, raise the minimum benefit for lifetime low-wage workers, and increase the COLA by basing it on inflation experienced by the elderly. Detailed responses to Package A by political party affiliation are newly available in this study and confirm that large majorities of respondents across party lines, as well as across age and income groups, support this package. Moreover, survey responses on individual policy options confirm that, as in 2012, participants support options that would raise revenues for Social Security and increase benefits somewhat. Majorities generally oppose policies that would reduce benefits.

In brief, large majorities value Social Security, don't mind paying for it, and say they are willing to pay more, if necessary, to preserve benefits for future generations.

Conclusions

Americans have a strong preference for strengthening the finances of the Social Security system and are willing to contribute more, if necessary. Respondents clearly want to close the system's financing gap. But rather than doing so in part by reducing benefits, they prefer a package of changes that does not include benefit cuts. Indeed, they prefer targeted benefit improvements, specifically increasing benefits for lifetime low-wage earners and increasing the cost-of-living adjustment (COLA) to better reflect the higher inflation that many older people experience. These preferences underscore the importance that Americans attach to the program.

Americans are aware that Social Security differs from most public programs in being supported by dedicated taxes, and they are willing to contribute more from their earnings if necessary to keep the program strong for the future. In particular, they prefer a funding strategy that strengthens Social Security and eliminates the funding gap by gradually eliminating the cap on earnings subject to Social Security taxes, and by gradually raising the tax rate that workers and employers pay into the system. Majorities of respondents oppose policy options to reduce benefits, and there is strong resistance to reducing the cost-of-living adjustment and raising the full retirement age to 70.

The findings are consistent throughout the different parts of the study. In focus groups, participants were concerned about benefits being too low. In the survey, respondents say they don't mind paying for Social Security and are willing to pay more if necessary. In the trade-off analysis, the preferred package of changes would close Social Security's long-term shortfall by gradually increasing taxes in two ways, and would also increase benefits in two ways.

Americans' widespread willingness to pay more for Social Security shows that they view Social Security as a vital program that provides a measure of economic security for their families, themselves, and their communities. At a time when the nation seems deeply divided about the appropriate size and role of government, it is striking that respondents across political and generational lines not only support Social Security but also agree on specific changes to strengthen it for the future.

Better information could improve public knowledge about and confidence in Social Security. The survey shows that Americans strongly support Social Security but lack confidence in its future — a paradox that has been reflected in other surveys conducted over the past 30-plus years. Notably, the survey also shows that respondents' confidence in the future of Social Security improves significantly when they have access to factual information. For example, after learning that the program's financing gap could be closed by specified increases in revenues, the share of survey participants who think Social Security financing is a crisis or significant problem drops from 70% to 33%, while the share of participants who think it is a manageable problem or

At a time when the nation seems deeply divided about the appropriate size and role of government, it is striking that Americans across political and generational lines not only support Social Security but also agree on specific changes to strengthen it for the future.

not a problem at all rises from 30% to 67%. Similarly, after learning that Social Security as a share of the economy will increase as Boomers retire from just under 5% to about 6.2% in 2035, but will then level off at about 6% for the rest of the next 75 years, nearly two in three of those surveyed conclude that Social Security, as a share of the economy, is affordable. This suggests that systematically improving the quality of information available about Social Security, via a major public education initiative, could markedly improve the public's confidence in the resilience of a system that they want to preserve for future generations.

Methodology

To understand Americans' perspectives on Social Security and their views on possible actions to address the program's long-term financing gap for the future, the National Academy of Social Insurance collaborated with Greenwald & Associates to conduct a multigenerational study. The study included focus groups and an online survey of 2,013 Americans conducted in June 2014. An innovative application of trade-off analysis was used to examine how respondents weighed the appeal or lack of appeal of various packages of Social Security policy changes.

Focus Groups

As a prelude to the survey, Greenwald & Associates convened two focus groups on Social Security. The focus groups were used to refine the survey questionnaire and add depth to the survey findings. One of the focus groups included individuals ages 18-39 with gross personal incomes between $15,000 and $49,999. The second group included older and higher-income individuals, ages 40-64 with gross personal incomes between $50,000 and $124,999. The focus groups explored participants' knowledge of how the Social Security program works, how it has affected them and/or their families, and their opinions about various options to strengthen it. The focus groups were convened in Baltimore, Maryland, on March 31, 2014.

Recruitment for the focus groups excluded individuals with careers (or family members' careers) in the federal government, marketing, public affairs, lobbying, investments, economics, or public relations. All of the nine participants in the younger group were employed full-time. In the older group, nine were employed full-time and one was employed part-time. Participants were recruited to include a mix of educational levels, and no more than two respondents per group had a graduate or professional school degree. Both groups had a mix of political affiliations (Democrats, Republicans, and independents) and a mix of races and ethnicities.

Survey

The survey was conducted online, rather than via telephone interviews, so that respondents could read about the policy options and participate in the deliberative trade-off exercise. The online survey of 2,013 Americans ages 21 and older was conducted from June 12-23, 2014. Respondents were randomly selected from the Research Now consumer panel of nearly 2.2 million individuals in the U.S. Panel members are recruited through a controlled mix of online and other methods to ensure that the panel is representative of the broader population. Quotas by race/ethnicity were used to insure adequate representation from African Americans (225), Asians (150) and Hispanics (250). A large majority of respondents (87%) reported that they are registered voters. Interviews averaged 21 minutes in length.

The first part of the questionnaire explored respondents' knowledge and attitudes about Social Security, their confidence in its future, and the importance of benefits to their incomes now and in the future. The rest of the questionnaire asked whether they would favor or oppose each of 14 specific changes to Social Security, including increasing future taxes, lowering future benefits, or increasing benefits for certain groups. Each policy change included a brief explanation of its effect and an estimate of how it would reduce or increase Social Security's projected long-term financing gap. The survey questionnaire is in Appendix B. Details about the individual policy changes and official estimates of their effects on Social Security's finances are in Appendix E. The survey results were weighted to match data from the March 2013 Current Population Survey by age, gender, education, and work status (full time, part time, or not employed).

Trade-Off Analysis

Trade-off analysis (also known as conjoint analysis) is a technique often used in marketing research to learn which elements of various packages of product features consumers want and are willing to pay for, and to estimate which package is preferred. In this study, trade-off analysis is used to learn which of various packages of Social Security policy changes Americans want and are willing to pay for. The Academy's 2012 study (which this study updates) was the first application of trade-off analysis to assess public opinion about Social Security policy options. The descriptions of the policy changes used official estimates from the Social Security Administration actuaries of how each option would affect the program's financing gap. The trade-off technique identifies the most appealing combination of policy changes of all of the individual changes that were considered.

Study participants completed the trade-off exercise after answering the questionnaire in Appendix B. Twelve policy changes were included in the trade-off exercise.[19] Four changes call for increasing future revenues: two by raising the cap on earnings subject to Social Security taxes and two by raising the Social Security tax rate for all workers. Four changes call for reducing future benefits: two by increasing the age for receiving full retirement benefits, one by means-testing benefits, and one by lowering Social Security's annual cost-of-living adjustment (COLA). Finally, four changes call for increasing benefits. Two increases would target specific groups: lifetime low-wage workers and children of disabled or deceased workers. Two other increases would affect all beneficiaries: increasing the COLA by basing it on inflation experienced by the elderly, and an across-the-board benefit increase. Appendix D contains descriptions of the 12 changes that respondents read as they completed the trade-off exercise, and Appendix E provides technical details on the changes as well as the official estimates by Social Security Administration actuaries of how the changes affect Social Security's finances.

The trade-off exercise design program generated 100 unique screens organized into 10 blocks of 10 screens each. Each respondent was randomly assigned one of the 10 blocks and completed all 10 screens in the block. On each screen, respondents saw three packages or sets of Social Security changes, including an estimate of how much each set would reduce or increase Social Security's financing gap, and a fourth set with no change to the current system. On each of their 10 screens, participants chose the package of policy changes they preferred — one of the three sets of changes or the current system unchanged. Appendix C shows the instructions for completing the screens and three examples of the 100 screens that were used.

Endnotes

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13 Social Security Administration. 2014d. ***Annual Statistical Supplement to the Social Security Bulletin, 2013.*** Washington, DC: Social Security Administration, Office of Research, Evaluation, and Statistics. Table 4.B4.

14 All cost estimates used in this study are based on the projections of the 2013 Social Security Trustees Report, which was the most recent available when the survey fielded in June 2014. Using the projections of the ***2014 Trustees Report***, released in July 2014, Package A closes 107% of the projected long-term shortfall.

15 U.S. Census Bureau. 2014. "2014 Poverty Guidelines." Washington, DC: U.S. Department of Health & Human Services, Census Bureau. http://aspe.hhs.gov/poverty/14poverty.cfm

16 Hertel-Fernandez, Alexander. 2010. "A New Deal for Young Adults: Social Security Benefits for Post-Secondary School Students." ***Social Security Brief No. 33.*** Washington, DC: National Academy of Social Insurance. www.nasi.org/sites/default/files/research/SS_Brief_033.pdf

17 Social Security Administration, 2014d: Table 2.A26.

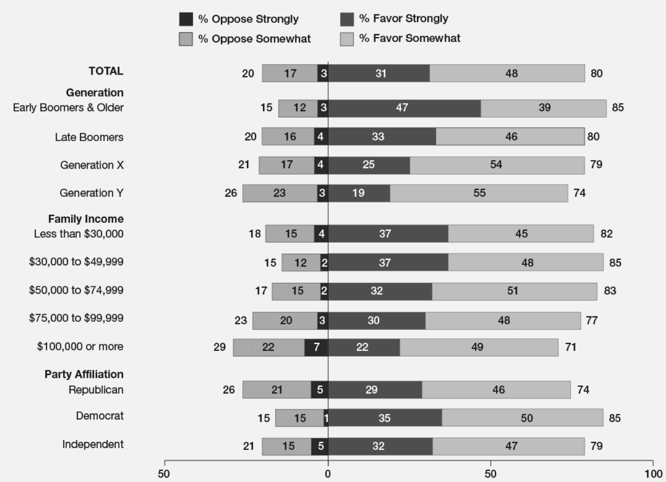
18 Board of Trustees, 2014: Table VI.G4

19 Two additional policy changes – increasing benefits for the oldest old, and providing caregiver credits – were included in the survey questionnaire but not in the trade-off exercise, due to limitations of space and time.

Appendices:

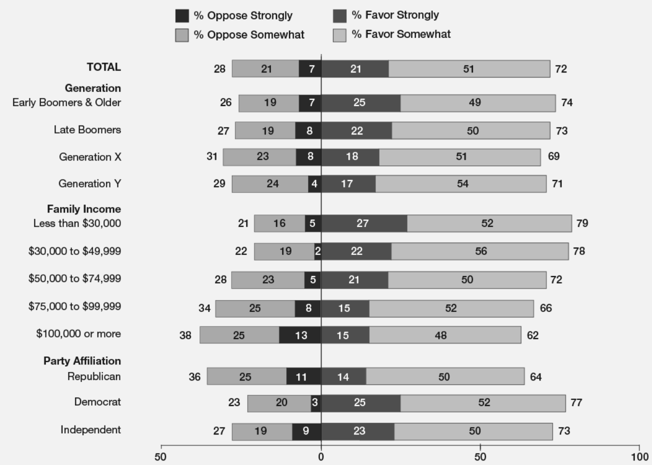
APPENDIX A: Additional Figures

Figure A1. **Increase the COLA to More Fully Protect Seniors against Inflation**



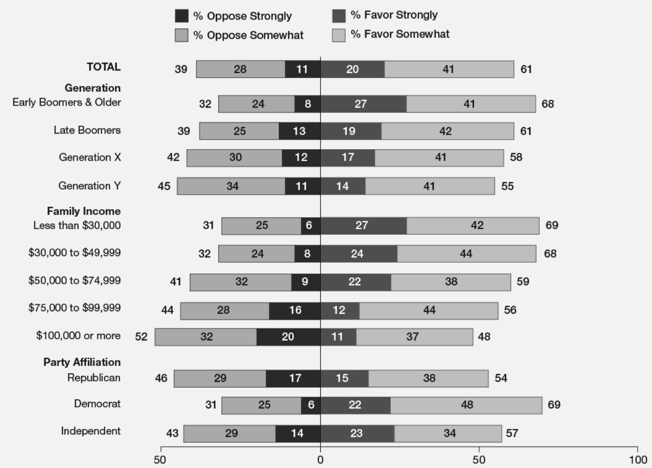
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding

Figure A2. **Increase Social Security's Minimum Benefit**



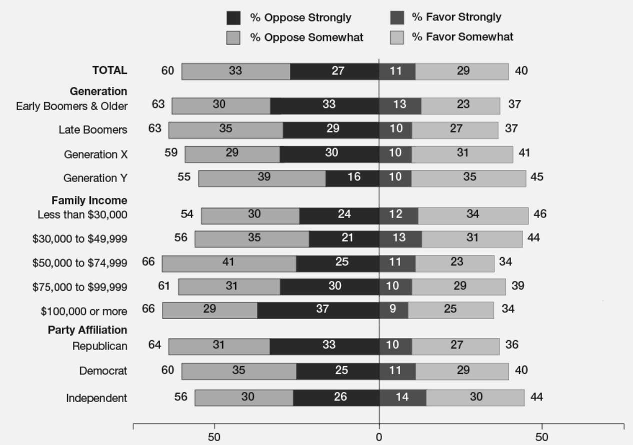
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A3. **Increase Benefits for All Beneficiaries**



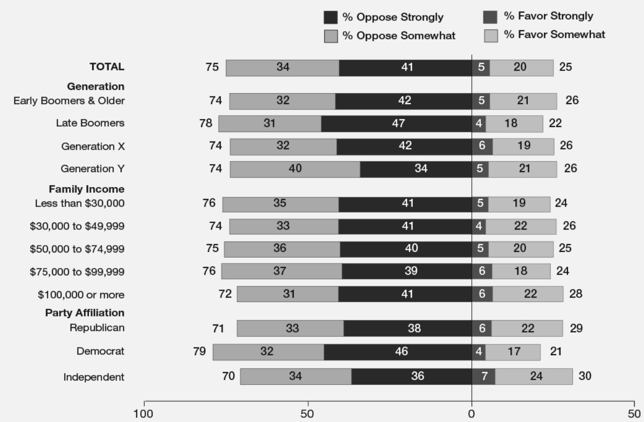
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A4. **Means-Test Social Security**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A5. **Raise the Full Retirement Age to 70**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

APPENDIX B: Questionnaire

1. To start, we need to ask a few questions about you. In what year were you born?

   ____ ____ ____ ____ [TERMINATE IF YOB > 1992.]

2. Are you…
   Male 1
   Female 2

3. Are you Hispanic or Latino?
   Yes 1
   No 2
   Prefer not to say .... [TERMINATE] 3

4. Are you… *(Check all that apply.)*
   African American or Black 1
   Asian or Pacific Islander 2
   Native American 3
   White or Caucasian 4
   Other (Please specify.) ______________________ 5
   Prefer not to say .... [TERMINATE] 6

5. What is your current marital status?
   Married 1
   Unmarried, living with a partner 2
   Divorced or separated 3
   Widowed 4
   Single, never married 5

6. What level of education have you completed?
   Some high school or less 1
   High school graduate 2
   Some college/trade or technical school 3
   College graduate (4-year degree) 4
   Graduate or professional degree 5

7. Are you currently…?
   Employed for pay full-time 1
   Employed for pay part-time 2
   Not employed for pay 3

8. Do you consider yourself to be retired?
   Yes 1
   No 2

9. How knowledgeable are you about the way the Social Security system works?
   Very knowledgeable 4
   Somewhat knowledgeable 3
   Not too knowledgeable 2
   Not at all knowledgeable 1

10. Overall, is your view of Social Security …?
    Very favorable 4
    Somewhat favorable 3
    Somewhat unfavorable 2
    Very unfavorable 1

11. In general, do you think we spend too much, not enough, or about the right amount on Social Security?
    Too much 1
    Not enough 2
    About the right amount..3

12. Please tell me if you agree or disagree with the following statements: **[RANDOMIZE]**

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
a. I think of Social Security as the foundation that I **[IF NOT RETIRED (Q8=2)**: can/**IF RETIRED (Q8=1)**: could**]** build on for my retirement security.	4	3	2	1
b. I **[IF NOT RETIRED**: don't/**IF RETIRED**: didn't**]** mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers.	4	3	2	1
c. I **[IF NOT RETIRED**: don't/**IF RETIRED**: didn't**]** mind paying Social Security taxes because I **[IF NOT RETIRED**: know/**IF RETIRED**: knew**]** I would have to help support my parents, grandparents or other family members if they did not receive Social Security.	4	3	2	1
d. **[IF NOT RETIRED]** I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire. **[IF RETIRED]** I didn't mind paying Social Security taxes because I knew that I would be receiving benefits when I retired.	4	3	2	1
e. To provide a more secure retirement for working Americans, we should consider increasing Social Security benefits.	4	3	2	1
f. Social Security taxes are too high already. We should plan for future benefit cuts rather than raise tax rates further.	4	3	2	1
g. **[IF NOT RETIRED]** I don't know if I'm going to need Social Security when I retire, but I want to know it is there just in case I do need it. **[IF RETIRED]** I didn't know if I would need Social Security when I retired, but I wanted to know it was there just in case I did need it.	4	3	2	1
h. Social Security benefits now are more important than ever to ensure that retirees have a dependable income.	4	3	2	1

13. Some people believe that Social Security benefits do not provide enough income for retirees. Do you agree or disagree?
Strongly agree 4
Somewhat agree 3
Somewhat disagree 2
Strongly disagree 1

14. Are you aware that workers earn disability insurance through Social Security?
Yes, aware..2
No, unaware 1

15. The average Social Security benefit for a disabled worker was $1,146 a month in January 2014. Do you think that amount is ...?
Too high 3
Too low 1
About right..2

16. Are you aware that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die?
Yes, aware..2
No, unaware 1

17. The average Social Security benefit for a child of a worker who died was $815 a month in January 2014. Do you think that amount is …?
Too high 3
Too low 1
About right..2

18. **[IF NOT RETIRED (Q8=2)]** At what age do you plan to retire? *(Please provide your best estimate.)*
___ ___

19. **[IF RETIRED (Q8=1)]** At what age did you retire?
___ ___

20. Are you **[IF MARRIED (Q5=1)**: or your spouse**]** currently receiving Social Security benefits?
Yes, I am 1
[IF MARRIED] Yes, my spouse is..2
[IF MARRIED] Yes, we both are..3
No..4

21. **[IF RESPONDENT RECEIVING BENEFITS (Q20=1,3)]** At what age did you start receiving Social Security benefits? **[SHOW DROP DOWN BOX STARTING AT "UNDER 50", THEN EACH AGE WITH TOP CATEGORY OF "75 OR OLDER".]**
___ ___

22. **[IF SPOUSE RECEIVING BENEFITS (Q20=2,3)]** At what age did your spouse start receiving Social Security benefits? **[SHOW DROP DOWN BOX STARTING AT "UNDER 50", THEN EACH AGE WITH TOP CATEGORY OF "75 OR OLDER".]**
___ ___

23. **[IF RESPONDENT RECEIVING BENEFITS (Q20=1-3)]** How important would you say Social Security benefits are to your monthly income?
Very important 4
Somewhat important 3
Not very important 2
Not at all important 1

24. **[IF RESPONDENT NOT RECEIVING BENEFITS (Q20=4)]** How important do you think Social Security benefits will be to your monthly income when **[IF NOT RETIRED (Q8=2)**: you retire/**IF RETIRED (Q8=1)**: you begin receiving benefits**]**?
Very important 4
Somewhat important 3
Not very important 2
Not at all important 1

25. If for some reason you did not receive your Social Security benefits, which of the following statements best describes the effect it would have on your lifestyle **[IF NOT RETIRED AND NOT RECEIVING BENEFITS ADD (Q8=2 & Q20=4)**: in retirement/**IF RETIRED AND NOT RECEIVING BENEFITS ADD (Q8=1 & Q20=4)**: in your later years**]**? **[RANDOMLY REVERSE LIST]**
It would have no effect 4
My budget would be tighter but I would get by 3
I would have to make significant sacrifices 2
I would not be able to afford the basics, such as food, clothing or housing 1

26. How confident are you in the future of the Social Security system?
Very confident 4
Somewhat confident 3
Not very confident 2
Not at all confident 1

27. **[IF RESPONDENT NOT RECEIVING BENEFITS (Q20=4)]** How confident are you that all of the Social Security benefits you are supposed to get will be available to you when **[IF NOT RETIRED**: you retire/**IF RETIRED**: you begin receiving benefits**]**?
Very confident 4
Somewhat confident 3
Not very confident 2
Not at all confident 1

28. Would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

29. Social Security is funded by taxes on earnings, with workers paying 6.2% of their earnings and employers paying a matching amount.
If you knew that increasing Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years, would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

30. Please tell me if you agree or disagree with the following statements: **[RANDOMIZE]**

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
a. It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by working Americans.	4	3	2	1
b. It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by top earners.	4	3	2	1

31. Which of the two statements below comes closer to your view? **[RANDOMIZE]**
We should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans 1
We shouldn't raise taxes on any American, even if it means reducing Social Security benefits 2

32. Which of the following statements comes closest to what you believe Social Security provides to retirees? **[RANDOMLY REVERSE LIST]**
Less income than is needed for the basic necessities of life 1
About what is needed for the basic necessities of life 2
More than is needed for the basic necessities of life, but not enough to maintain their pre-retirement standard of living..................3
Enough to maintain their pre-retirement standard of living 4

33. Which of the following statements comes closest to what you believe Social Security *should* provide to retirees? **[RANDOMLY REVERSE LIST]**
Less income than is needed for the basic necessities of life 1
About what is needed for the basic necessities of life 2
More than is needed for the basic necessities of life, but not enough to maintain their pre-retirement standard of living..................3
Enough to maintain their pre-retirement standard of living 4

34. Official Social Security Administration projections show that the Social Security system has enough money to pay all benefits until the year 2033. If no changes are made to the program, which one of the following do you think would be most likely to happen after 2033?
Social Security would be able to pay 100% of benefits 1
Social Security would be able to pay 75% of benefits 2
Social Security would be able to pay 50% of benefits 3
Social Security would be able to pay 25% of benefits 4
Social Security would be unable to pay benefits at all 5

35. Social Security benefit payments currently account for about 5% of the United States economy. As the baby boomers retire, Social Security's share of the economy will increase, reaching 6.2% by 2035, when all of the baby boomers will be retired. Then it will drop back to about 6% and will stay at that level. Some people say this means that as a nation we can afford Social Security. Do you agree or disagree?
Strongly agree 4
Somewhat agree 3
Somewhat disagree 2
Strongly disagree 1

Policy Changes:

Social Security benefits are modest – the average retirement benefit in January 2014 was just $1,296 per month. Some people believe that Social Security benefits are not as high as they should be to protect the financial security of retired Americans. Proposals have been put forth to improve benefits for all or some workers. However, Social Security faces a long-term financing gap. Improvements to benefits would increase the financing gap, so they would have to be paid for by increasing Social Security's revenues. We're interested in getting your reaction to some of these proposals. The next 4 proposals would increase benefits.

Increase Benefits for Lifetime Low-Wage Workers

36. Social Security benefits are based on the amount of money a worker earns. Currently, men and women who work all their lives at very low wages (for example, full-time at the minimum wage) are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked.

One proposal would raise the minimum Social Security benefit to ensure that someone who works and pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is about $11,670 a year, or $970 a month, for one person.)

This change would increase Social Security's financing gap by 9%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Increase Benefits for All Beneficiaries

37. Social Security benefits are modest. The average retirement benefit in January 2014 was just $1,296 per month. One proposal would increase Social Security benefits by $65 per month for all beneficiaries.

This change would increase the financing gap by 29%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Extend Children's Benefits

38. Social Security pays benefits to children whose working parents have died or become disabled. Benefits are paid until the age of 18, or 19 if still in high school. In the past, these benefits would continue until age 22 if the child was attending college or vocational school. One proposal would restore those benefits. This would help children in families that have lost a breadwinner's income to complete their education.

    This change would increase the financing gap by 3%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

Increase Social Security's Cost-of-Living Adjustment (COLA)

39. The purpose of Social Security's annual Cost-of-Living Adjustment (COLA) is to increase benefits to keep up with inflation. The Social Security Administration pays a COLA when the average cost of living increases.

    One proposal would increase the COLA by basing it specifically on the inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation.

    Example: If average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA measure for the elderly would increase a $1,000 monthly benefit by $32 instead of by $30.

    This change would more fully protect seniors against inflation. It would increase Social Security's financing gap by 14%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

40. Some other ideas have been suggested for strengthening Social Security benefits. Do you favor or oppose each of the following proposals?

	Favor Strongly	Favor Somewhat	Oppose Somewhat	Oppose Strongly
a. When a working parent leaves the workforce for a period of time to care for children, count the unpaid time toward the parent's future Social Security benefits so benefits are not reduced because of this gap in paid work. This would increase the financing gap by 8%.	4	3	2	1
b. Increase benefits by $65 per month for recipients over the age of 85 because they generally depend more heavily on Social Security. This would increase the financing gap by 4%.	4	3	2	1

As stated earlier, Social Security currently faces a projected long-term revenue shortfall. It has enough income to cover 100% of benefits until 2033. After that point, if Congress fails to act, the system will only be able to pay about 75% of benefits. Several proposals have been suggested to help close the financing gap, either by increasing revenues that go into the Social Security system or cutting Social Security benefits. We are interested in getting your reaction to some of these proposals. The next 4 proposals would raise revenues for Social Security, and the 4 after that would reduce benefits.

Increase Social Security's Taxable Earnings Cap

41. Currently, annual earnings above $117,000 are not taxed for Social Security. About 6% of workers earn more than that amount. Congress originally set the cap to cover 90% of all earnings by American workers. Currently, the cap covers only about 83% of all earnings.

    One proposal is to gradually lift the earnings cap over 5 years until it once again covers 90% of all earnings by American workers (this would raise the cap to about $230,000).The top 6% of earners would pay somewhat more into Social Security, and in return they would get somewhat higher benefits. This change would reduce Social Security's financing gap by 29%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

42. Another proposal would gradually eliminate the earnings cap (currently $117,000) over 10 years. The top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as other workers do. In return, they would get somewhat higher benefits. This change would reduce the financing gap by 74%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

Increase Social Security's Tax Rate

43. Workers currently pay 6.2% of their earnings to Social Security, matched by the employer. One proposal would raise the Social Security tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each.

    Example: For a worker earning $50,000, this would mean an increase each year of 50 cents per week, matched by the employer.

    This change would reduce the financing gap by 52%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

44. Another proposal would raise the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052.

    Example: For a worker earning $50,000, each change would mean an increase of $9.60 per week, matched by the employer.

    This change would reduce the financing gap by 76%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

The next 4 proposals would reduce benefits.

Reduce Social Security's Cost-of-Living Adjustment (COLA)

45. The purpose of Social Security's annual Cost-of-Living Adjustment (COLA) is to increase benefits to keep up with inflation. One proposal would lower the COLA by using a new measure of inflation that generally rises more slowly than the current measure.

    Example: If average inflation from one year to the next is 3%, but the new inflation measure went up by only 2.7%, that new measure would increase a $1,000 monthly benefit by $27 instead of $30.

    Benefit cuts add up over time, so the oldest seniors would experience the largest cuts. This benefit cut would add up to about 6.5% by the time a retiree reaches age 85.

    This change would reduce seniors' protection against inflation. It would reduce the financing gap by 20%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

Increase Social Security's Full Retirement Age

46. Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can collect Social Security benefits before their full retirement age, starting at age 62, but benefits are reduced. Increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase in the retirement age from 65 to 67 is a 13% benefit cut. Further increasing the full retirement age is an additional benefit cut.

    Some people favor increasing the retirement age because Americans are living longer. Others point out that this is not true for everyone. Mostly it's higher-income people who are living longer.

    One proposal is to gradually raise the full retirement age to 68. That would be an additional 7% benefit cut on top of the 13% cut from 65 to 67. This change would reduce the financing gap by 16%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

47. Another proposal would very gradually raise the full retirement age to 70. This change would be an additional benefit cut of about 21% on top of the change from 65 to 67. It would reduce the financing gap by 25%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Means-Test Social Security

48. "Means-testing" would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Benefits would be reduced for individuals with non-Social Security annual income higher than $55,000 ($110,000 for couples). Benefits would be eliminated for individuals with non-Social Security income higher than $110,000 ($165,000 for couples). Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes.

This change might reduce the financing gap by 20%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

49. The following set of changes would close 100 percent of Social Security's financing gap and pay for benefit improvements:
- Over 10 years, gradually eliminate the cap on earnings that are taxed for Social Security so that the highest 6% of earners pay in throughout the year, as other workers do. Those top earners would also get somewhat higher benefits;
- Over 20 years, gradually raise the 6.2% rate that workers and employers each pay to 7.2%. Someone making $50,000 would pay about 50 cents a week more each year;
- Raise the minimum benefit so that anyone who paid in to Social Security for 30 years can retire on Social Security and not be poor;
- Increase Social Security's cost-of-living adjustment (COLA) to more accurately reflect the inflation experienced by seniors.

Would you favor or oppose this set of changes to improve and pay for Social Security benefits?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

[INSERT CONJOINT HERE]

50. Now that you have considered the policy options that are available, would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

51. How difficult do you think it is to fix Social Security's funding gap? **[RANDOMLY REVERSE LIST]**
Very difficult 4
Somewhat difficult 3
Not too difficult 2
Not at all difficult 1

52. Are you a registered voter?
Yes 1
No 2

53. Do you consider yourself a Democrat, a Republican, or an independent?
Democrat 1
Republican 2
Independent 3
Other 4

54. What is your ZIP code?

55. How would you rate your health?
Excellent 5
Very good 4
Good 3
Fair 2
Poor 1

56. Do you currently have health insurance coverage?
Yes 1
No 2

57. What is your total annual family income before taxes?
Under $25,000 1
$25,000 to $29,999 2
$30,000 to $34,999 3
$35,000 to $49,999 4
$50,000 to $74,999 5
$75,000 to $99,999 6
$100,000 to $149,999 7
$150,000 or more 8
Prefer not to say 9

58. In total, about how much money would you say you (and your spouse) currently have in savings and investments, not including the value of your primary residence? Please include all savings and investments, including 401(k), 403(b), and 457 plans and IRAs, but not the value of your home.
Less than $10,000 1
$10,000 to $24,999 2
$25,000 to $49,999 3
$50,000 to $99,999 4
$100,000 to $149,999 5
$150,000 to $249,999 6
$250,000 to $499,999 7
$500,000 or more 8
Prefer not to say 9

APPENDIX C: Trade-off Exercise Example

A trade-off exercise module further explored which changes in the Social Security system respondents favor and are willing to pay for. Rather than having each change rated individually in isolation, this module required participants to specify their preference from a variety of different packages (sets) of changes. The results indicate which specific changes are most favorable and which are least favorable.

After study participants had provided favorability ratings for each of the proposed changes to the current Social Security system ***individually***, they were asked to complete the trade-off exercise. The instructions given were as follows:

You will now see a series of 10 screens. Each screen will have 3 different sets of Social Security policy changes, plus a 4th set that has no changes to the current system. The last line of each set shows how much that combination of changes would reduce (or increase) Social Security's long-term financing gap. For example:

- A negative 80% means the set of changes would *reduce* the financing gap by 80%.
- A negative 120% means the set of changes would eliminate the financing gap, and have 20% left over (for example, to improve benefits or provide a margin of safety in future financing).
- A positive 10% means the set of changes would *increase* Social Security's financing gap by 10%.

Please assume that the policy changes presented are the only changes being made to Social Security for that set. All other Social Security features will remain the same.

Here is a link to a definition guide that contains further explanations and examples of the options you will see. Please review this guide before moving to the next screen, and keep it open for reference going forward. Each screen will also contain 'hover definitions' that will appear when you move your cursor over the different elements on the screen. These provide a quick reference in addition to the larger definitions guide.

Once you have compared the sets on each screen, including the set with no change to the current system, please select the set that is most appealing to you. You will not be able to move backward once you have finished a screen.

Sample Trade-Off Grids:

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	*Policy Change #2*	*Policy Change #3*	*No Change*
SOCIAL SECURITY'S TAXABLE EARNINGS CAP	No Change	Gradually eliminate the cap over 10 years to cover all earnings	Gradually lift the cap over 5 years to cover 90% of earnings	I prefer the current system.
SOCIAL SECURITY TAX RATE	Raise the tax for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	
BENEFITS FOR LIFETIME LOW-WAGE WORKERS	No Change	Raise the minimum benefit so 30-year workers can retire and not be poor	No Change	
SOCIAL SECURITY'S COST-OF-LIVING ADJUSTMENT (COLA)	No Change	Increase the COLA by basing it on inflation for the elderly	Lower the COLA by basing it on a different inflation measure	
CHANGES FINANCING GAP BY:	-76%	-113%	-49%	0%
Which do you most prefer	O	O	O	O

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	*Policy Change #2*	*Policy Change #3*	*No Change*
SOCIAL SECURITY TAX RATE	Raise the tax rate for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	I prefer the current system.
BENEFITS FOR CHILDREN	Restore student benefits until age 22 for children whose working parents have died or become disabled	No Change	Restore student benefits until age 22 for children whose working parents have died or become disabled	
BENEFITS FOR ALL BENEFICIARIES	Increase benefits by $65 per month for all beneficiaries	Increase benefits by $65 per month for all beneficiaries	No Change	
BENEFITS FOR LIFETIME LOW-WAGE WORKERS	Raise the minimum benefit so 30-year workers can retire and not be poor	No Change	Raise the minimum benefit so 30-year workers can retire and not be poor	
CHANGES FINANCING GAP BY:	-35%	-23%	+12%	0%
Which do you most prefer?	O	O	O	O

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	*Policy Change #2*	*Policy Change #3*	*No Change*
SOCIAL SECURITY'S TAXABLE EARNINGS CAP	Gradually lift the cap over 5 years to cover 90% of earnings	Gradually eliminate the cap over 10 years to cover all earnings	No Change	I prefer the current system.
SOCIAL SECURITY TAX RATE	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	Raise the tax rate for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	
SOCIAL SECURITY'S FULL RETIREMENT AGE	Gradually raise the full retirement age to 68	Gradually raise the full retirement age to 70	No Change	
MEANS TESTING SOCIAL SECURITY	Require people to prove they are eligible for benefits, based on their income, in order to receive them	No Change	Require people to prove they are eligible for benefits, based on their income, in order to receive them	
CHANGES FINANCING GAP BY:	-122%	-99%	-96%	0%
Which do you most prefer?	O	O	O	O

APPENDIX D: Policy Option Definitions

Financing gap: Social Security currently faces a projected long-term revenue shortfall. Social Security's trust fund reserves plus the revenues being collected to finance Social Security benefits will cover 100% of benefits until 2033. Then, if Congress fails to act, the trust fund reserves will be used up and the revenue continuing to come in from payroll taxes will cover only about 75% of the benefits that recipients expect to receive. There are many ways to close the financing gap.

Each set of changes indicates how much it would reduce (or increase) Social Security's long-term financing gap. For example:

- A negative 80% means the set of changes would *reduce* the financing gap by 80%.
- A negative 120% means the set of changes would eliminate the financing gap, and have 20% left over (for example, to improve benefits or provide a margin of safety in future financing).
- A positive 10% means the set of changes would *increase* Social Security's financing gap by 10%.

Social Security Tax Rate: Workers currently pay 6.2% of their earnings to Social Security, matched by the employer.

Option 1: Raise the Social Security tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each.

- For a worker earning $50,000, this would mean an increase each year of 50 cents per week, matched by the employer.
- This change reduces the financing gap by 52%.

Option 2: Raise the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052.

- For a worker earning $50,000, each change would mean an increase of $9.60 per week, matched by the employer.
- This change reduces the financing gap by 76%.

Social Security's Taxable Earnings Cap: Currently, annual earnings above $117,000 are not taxed for Social Security. About 6% of workers earn more than that amount. Congress originally set the cap to cover 90% of all earnings by American workers. Currently, the cap covers only about 83% of all earnings.

Option 1: Gradually lift the earnings cap over 5 years until it once again covers 90% of all earnings by American workers (this would raise the earnings cap to about $230,000).

- The top 6% of earners would pay somewhat more into Social Security, and in return they would get somewhat higher benefits.
- This change reduces the financing gap by 29%.

Option 2: Gradually eliminate the earnings cap over 10 years.

- The top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as other workers do. In return, they would get somewhat higher benefits.
- This change reduces the financing gap by 74%.

Benefits for Lifetime Low-Wage Workers: Social Security benefits are based on the amount of money a worker earns. Currently, men and women who work all their lives at very low wages (for example, full-time at the minimum wage) are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked.

Option: Raise the minimum Social Security benefit to ensure that someone who works and pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is about $11,670 a year, or $970 a month, for one person.)

- Does not affect most workers, whose benefits exceed this minimum adequacy level.
- This change increases the financing gap by 9%.

Children's Benefits: Social Security pays benefits to children whose working parents have died or become disabled. Benefits are paid until the age of 18, or 19 if still in high school. In the past, these benefits would continue until age 22 if the child was attending college or vocational school.

Option: Restore the student benefit until age 22.

- Helps children in families that have lost a breadwinner's income to complete their education.
- This change increases the financing gap by 3%.

Benefits for All Beneficiaries: Social Security benefits are modest. The average retirement benefit in January 2014 was just $1,296 per month.

Option: Increase Social Security benefits by about $65 per month for all beneficiaries.

- This change increases the financing gap by 29%.

Social Security's Cost-of-Living Adjustment (COLA): The purpose of Social Security's COLA is to increase benefits to keep up with inflation. The Social Security Administration pays a COLA when the cost of living increases.

Option 1: Increase the COLA by basing it specifically on the inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation.

- If average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA measure for the elderly would increase a $1,000 monthly benefit by $32 instead of $30.
- More fully protects seniors against inflation.
- This change increases the financing gap by 14%.

Option 2: Lower the COLA by using a new measure of inflation that generally rises more slowly than the current measure.

- If average inflation from one year to the next is 3%, but the new inflation measure went up by only 2.7%, that new measure would increase a $1,000 monthly benefit by $27 instead of $30.
- Reduces seniors' protection against inflation. Benefit cuts add up over time, so the oldest seniors experience the largest cuts. This benefit cut would add up to about 6.5% by the time a retiree reaches age 85.
- This change reduces the financing gap by 20%.

Social Security's Full Retirement Age: Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can collect Social Security benefits before their full retirement age, starting at age 62, but benefits are reduced. Increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase in the retirement age from age 65 to 67 is a 13% benefit cut. Further increasing the full retirement age is an additional benefit cut.

Some people favor increasing the retirement age because Americans are living longer. Others point out that this is not true for everyone. Mostly it's higher-income people who are living longer.

Option 1: Gradually raise the full retirement age to 68.

- Starting in 2023, increase the full retirement age until it reaches 68 in 2028.
- Reduces benefits about 7% on top of the 13% cut from 65 to 67.
- This change reduces the financing gap by 16%

Option 2: Very gradually raise the retirement age to 70.

- Starting in 2023, increase the full retirement age until it reaches 70 in 2069.
- Reduces benefits about 21% on top of the change from 65 to 67.
- This change reduces the financing gap by 25%.

Means-Testing Social Security: "Means-testing" would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes.

Option: Means-test Social Security benefits.

- Reduces Social Security benefits for individuals with non-Social Security income higher than $55,000 ($110,000 for couples).
- Eliminates Social Security benefits for individuals with non-Social Security income higher than $110,000 ($165,000 for couples).
- This change reduces the financing gap by about 20%.

APPENDIX E: Detailed Descriptions and Cost Estimates for Policy Options

This appendix provides documentation of the 14 policy options used in the study and the estimates of their financial effects. The cost estimates were prepared by the Office of the Chief Actuary of the Social Security Administration (SSA) and are among those published on the SSA website.[1]

Social Security's Actuarial Balance

The actuarial balance of the Social Security program is a summary measure of the program's financial status over the next 75 years. It is calculated as the program's starting reserves plus its projected income minus its projected outgo over the next 75 years, expressed as a percentage of taxable payroll over the 75-year period. Taxable payroll includes all U.S. wages, salaries, and self-employment income that are subject to Social Security taxes, up to the taxable earnings cap of $117,000 in 2014. The actuarial balance at the time the survey fielded was -2.72% of taxable payroll, according to the 2013 Social Security Trustees Report.[2] It is a negative number because income is projected to fall short of outgo and thus produce an actuarial deficit, or "financing gap," of 2.72% of taxable payroll.

Effect of Individual Policy Options

The SSA actuaries also estimate the effects of individual policy options as a percentage of taxable payroll. These estimates show how any particular policy change would affect the program's actuarial balance. Any option that raises revenue or lowers outgo would have a positive effect on the actuarial balance and, thus, reduce or eliminate the deficit. Any option that increases benefits or reduces revenue would have a negative impact on the actuarial balance and, thus, increase the deficit. Unless otherwise noted, the cost estimates shown in this appendix were drawn from the website of the Office of the Chief Actuary in May 2014 and are based on assumptions in the 2013 Trustees Report.

In Table E, figures in column (B) are the actuarial estimates of the impact of each individual policy option on the actuarial balance. Positive numbers indicate that the policy would reduce or eliminate the negative actuarial balance, or deficit. Negative numbers indicate that that the policy would increase the deficit. Column (C) indicates where the specific option was found on the website of the Social Security actuaries.

Column (A) shows how the figures in column (B) would change the actuarial deficit of 2.72% of taxable payroll. For example, the first option, which improves the actuarial balance by 2.00% of taxable payroll, would reduce the deficit by 74% (2.00/2.72 = 74%). Figures in column (A) are used to describe the financial effects of the options described in this report. These figures were provided to respondents in the trade-off exercise and the questionnaire, and are also shown in Table 8 of the report.

Combinations of Policy Options

Certain combinations of the individual options produce *interaction effects*, meaning that if the two options were implemented together, their total effect would differ from the simple sum of the two changes individually. For example, when considering a tax rate increase in combination with broadening the tax base, the impact is greater than the sum of the two individual changes due to the interaction effect. The estimates used in the study take account of the interaction among Options 1 through 4, which affect the tax rate and tax base. These combinations are shown at the bottom of Table E. For example, Option 1 (phasing out the taxable earnings cap) and Option 3 (gradually raising the tax rate) combined are estimated to close 136% of the financing gap – slightly more than the sum of the two changes individually, which would be 126%.

Table E. **Policy Options and Estimates of Financial Impact Used in the Study**

Description of Policy Options	*Percent change in 2.72% financing gap[2] (A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Social Security's Taxable Earnings Cap			
(1) Eliminate the taxable earnings cap, phased in over 10 years between 2015 and 2024. Provide benefit credit for earnings above the current tax cap at a lower rate: 5% above the current cap, and 0.25% above 90% of covered earnings. Phase in both the tax rate and the benefit credit for earnings at a proportional rate over 10 years.	-74%	2.00	[3]
(2) Lift the taxable earnings cap so that 90% of earnings would be covered, phased in over 5 years between 2015 and 2020. Provide benefit credit for earnings up to the revised tax cap.	-29%	0.78	E3.3
Social Security Tax Rate			
(3) Increase the 6.2% payroll tax that employees and employers each pay by 1/20th of 1% per year over 20 years (2019-2038), until it reaches 7.2% in 2038 and later.	-52%	1.42	E1.4
(4) Increase the payroll tax rate (for employers and employees each) to 7.2% in 2022 and to 8.2% in 2052.	-76%	2.06	[4]
Social Security's Full Retirement Age			
(5) After the full retirement age (FRA) reaches 67 for those age 62 in 2022, increase the FRA by 2 months every year until the FRA reaches 68 in 2028.	-16%	0.43	C1.2
(6) After the full retirement age (FRA) reaches 67 for those age 62 in 2022, increase the FRA by less than 1 month (36/47 of a month) per year, until the FRA reaches 70 in approximately 2050.	-25%	0.69	C2.4[5]
Means-Test Social Security			
(7) Reduce or eliminate Social Security benefits by offsetting the benefit against the individual's other (non-Social Security) income. One such plan would phase out benefits for people with non-Social Security income between \$55,000 and \$110,000 a year for individuals (and between \$110,000 and \$165,000 for couples).	-20%	0.54	[6]
Children's Benefits for Students			
(8) Beginning in 2014, continue benefits for children of disabled or deceased workers until age 22 if the child is in high school, college, or vocational school.	+3%	-0.07	D1

Table E. **Policy Options and Estimates of Financial Impact Used in the Study** (continued)

Description of Policy Options	*Percent change in 2.72% financing gap*[2] *(A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Benefits for All Beneficiaries			
(9) Beginning in 2014, increase benefits by a uniform dollar amount for all beneficiaries and for all newly-eligible beneficiaries after 2014. The dollar amount of the increase equals a uniform 5% of the average retired worker monthly benefit amount in the prior year. The increase would be approximately $65 a month in 2014.	+29%	-0.78	B7.5
Benefits for Lifetime Low-Wage Workers			
(10) Beginning in 2014, reconfigure the special minimum benefit so that the primary insurance amount (PIA)[7] for 30 years of coverage (YOC) is equal to 125% of the monthly poverty level (about $1,164 in 2012). For those with less than 30 YOC, the PIA for each YOC after 10 is $58.20 (or $1,164/20). Index these initial PIA amounts by wage growth. The change would apply to all new and current beneficiaries beginning in 2015.	+9%	-0.25	[8]
Social Security's Cost-of-Living Adjustment (COLA)			
(11) Beginning in December 2015, compute the COLA using the Consumer Price Index for the Elderly (CPI-E). This would *increase* the annual COLA by about 0.2 percentage points, on average.	+14%	-0.37	A6
(12) Beginning in December 2012, compute the COLA using the chained CPI-W. This would *reduce* the annual COLA by about 0.3 percentage points, on average.	-20%	0.52	A3
Caregiver Credit			
(13) Give earnings credits to parents with a child under age 6 for up to 5 years. The earnings credited for childcare equal half of the Social Security average wage index (about $21,858 in 2012). If the parent earned less than the credit, Social Security wage credits would be increased up to the childcare credit level. The credits are available for past years to newly eligible retired-worker and disabled-worker beneficiaries starting in 2014. The 5 years are chosen to yield the largest increase in average indexed monthly earnings.	+8%	-0.22	B7.3

Table E. **Policy Options and Estimates of Financial Impact Used in the Study** (continued)

Description of Policy Options	*Percent change in 2.72% financing gap[2] (A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Benefits for the Oldest Old (85+)			
(14) Beginning in 2014, increase the monthly benefit amount of any beneficiary who is (or turns) 85 or older. The dollar amount of the increase equals a uniform 5% of the average retired worker monthly benefit amount in the prior year. The increase would be approximately $65 in 2014 (5% of the average retired worker benefit of $1,294 in December 2013).	+4%	-0.10	B6.2
Combinations of Options			
Options (1) and (3)	-136%	3.70	[9]
Options (1) and (4)	-164%	4.47	[9]
Options (2) and (3)	-86%	2.33	[9]
Options (2) and (4)	-111%	3.03	[9]

Source: National Academy of Social Insurance based on information in notes on Appendix E.

Notes on Appendix E:

1. Unless otherwise noted, the cost estimates and descriptions of the options are from SSA's website: http://www.ssa.gov/OACT/solvency/provisions/index.html

2. All estimates in this study use the 2.72% actuarial deficit projected in the 2013 Social Security Trustees Report, which was the latest available at the time the survey fielded. The actuarial deficit in the 2014 Social Security Trustees Report (released in July 2014) is 2.88%.

3. This option is a modification of option E2.10 on SSA's website, which would provide benefit credit for all earnings above the tax cap at a 5% rate. The cost estimate for this modified option was obtained via personal communication from Stephen C. Goss, Chief Actuary, in May 2014.

4. This estimate was produced in 2009 and cited in the Academy's report ***Fixing Social Security: Adequate Benefits, Adequate Financing*** (2009). SSA has since revised this proposal to the following: 7.6% in 2026 and 9.0% in 2056. The revised proposal (which is option E1.2 on SSA's website) brings in revenue of 2.93% of taxable payroll, or 108% of the financing gap.

5. This option on SSA's website also includes increasing the earliest eligibility age (EEA) to age 65. Since the EEA is actuarially neutral, the cost estimate does not change significantly by eliminating that part of the option.

6. SSA has not produced an estimate for direct means-testing. The cost estimate shown here is a rough estimate, extrapolated from a Heritage Foundation plan that included means-testing (see Butler et al., ***Saving the American Dream: The Heritage Plan to Fix the Debt, Cut Spending, and Restore Prosperity,*** The Heritage Foundation, Washington, DC, 2011).

7. PIA, or Primary Insurance Amount, is an individual's basic monthly benefit amount before adjusting for age of claiming.

8. This option is a modification of option B5.2 on SSA's website, which would apply to all new beneficiaries (but not current beneficiaries already receiving benefits) beginning in 2015. The cost estimate for this modified option was obtained via personal communication from Stephen C. Goss, Chief Actuary, in March 2014.

9. National Academy of Social Insurance calculations based on the cost estimates in this table.

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I

114TH CONGRESS
2D SESSION

H. R. 6489

To preserve Social Security for generations to come, reward work, and improve retirement security.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 8, 2016

Mr. SAM JOHNSON of Texas introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To preserve Social Security for generations to come, reward work, and improve retirement security.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Social Security Reform Act of 2016".

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

TITLE I—MODERNIZING SOCIAL SECURITY FOR THE 21ST CENTURY

SEC. 101. MODERNIZE THE BENEFIT FORMULA.

(a) PRIMARY INSURANCE AMOUNT COMPUTATION.—Section 215(a)(1) of the Social Security Act (42 U.S.C. 415(a)(1)) is amended—

(1) in subparagraph (B)(ii), by inserting "and before 2023" after "after 1979";

(2) by redesignating subparagraph (D) as subparagraph (E); and

(3) by inserting after subparagraph (C) the following new subparagraph:

"(D)(i) In the case of an individual who initially becomes eligible for old-age or disability insurance benefits, or who dies (before becoming eligible for such benefits), in any calendar year after 2022, the primary insurance amount of the individual shall (except as provided in clause (vii)) be equal to the sum of the amounts determined under clause (ii) with respect to all of the individual's benefit computation years (as defined in subsection (b)(2)(B)).

"(ii) For purposes of this subparagraph, the amount determined under this clause with respect to a benefit computation year of an individual shall be equal to the quotient derived by dividing—

"(I) the product of the individual's covered earnings ratio determined under clause (iii) for such benefit computation year and the sum of—

"(aa) 95 percent of the wages and self-employment income of such individual credited for such computation year (as adjusted under subsection (b)(3)) to the extent that such wages and self-employment income do not exceed the amount established for purposes of this item by clause (iv),

"(bb) 27.5 percent of such wages and self-employment income to the extent that such wages and self-employment income exceed the amount established for purposes of item (aa) but do not exceed the amount established for purposes of this item by clause (iv),

“(cc) 5 percent of such wages and self-employment income to the extent that such wages and self-employment income exceed the amount established for purposes of item (bb) but do not exceed the amount established for purposes of this item by clause (iv), and

“(dd) 2 percent of such wages and self-employment income to the extent that such wages and self-employment income exceed the amount established for purposes of item (cc), by

“(II) the number of months in the individual’s benefit computation years (as defined in subsection (b)(2)(B)),

rounded, if not a multiple of $0.10, to the next lower multiple of $0.10, and thereafter increased as provided in subsection (i).

“(iii) An individual’s covered earnings ratio for a benefit computation year is the ratio of—

“(I) the total (after adjustment under subsection (b)(3)) of his wages paid in and self-employment income credited to such benefit computation year (determined without regard to clause (v)), to

"(II) the total (after adjustment under subsection (b)(3)) of his wages paid in and self-employment income credited to such benefit computation year (as determined under clause (v)).

"(iv) The amount established for purposes of items (aa), (bb), and (cc) of clause (ii)(I) shall be, respectively—

"(I) 25 percent of the national average wage index (as defined in section 209(k)(1)) for the second calendar year preceding the calendar year for which the determination is made,

"(II) 100 percent of the national average wage index (as so defined) for such calendar year, and

"(III) 125 percent of the national average wage index (as so defined) for such calendar year.

"(v)(I) For purposes of determining an individual's primary insurance amount pursuant to clause (i), the total (after adjustment under subsection (b)(3)) of the individual's wages paid in and self-employment income credited to a benefit computation year after 1977 shall be determined by treating all recorded noncovered earnings (as defined in subclause (II)(aa)) derived by the individual from noncovered service performed in such benefit computation year as 'wages' (as defined in section 209 for purposes of this title), which shall be treated as included in the individual's adjusted total covered earnings (as defined in subclause (II)(bb)) for such benefit computation year together with amounts consisting of 'wages' (as so defined without regard to this subparagraph) paid in such benefit computation year and self-employment income (as defined in section 211(b)) credited to such benefit computation year.

"(II) For purposes of this subparagraph—

"(aa) the term 'recorded noncovered earnings' means earnings derived from noncovered service (other than noncovered service as a member of a uniformed service (as defined in section 210(m))) for which satisfactory evidence is determined by the Commissioner to be available in the records of the Commissioner, and

"(bb) the term 'adjusted total covered earnings' means, in connection with an individual for a benefit computation year, the sum of the wages paid to the individual in such benefit computation year (as adjusted under subsection (b)(3)) plus the self-employment income derived by the individual credited to such benefit computation year (as adjusted under subsection (b)(3)).

"(III) The Commissioner of Social Security shall provide by regulation or other public guidance for methods for determining whether satisfactory evidence is available in the records of the Commissioner for earnings for noncovered service (other than noncovered service as a member of a uniformed service (as defined in section 210(m))) to be treated as recorded noncovered earnings. Such methods shall provide for reliance on earnings information which is provided to the Commissioner by employers and which, as determined by the Commissioner, constitute a reasonable basis for treatment of earnings for noncovered service as recorded noncovered earnings. In making determinations under this clause, the Commissioner shall also take into account any documentary or other evidence of earnings derived from noncovered service by an individual which is provided by the individual to the Commissioner and which the Commissioner considers appropriate as a reasonable basis for treatment of such earnings as recorded noncovered earnings.

"(vi) In the case of any individual whose primary insurance amount would be computed under this subparagraph who first becomes entitled after 1985 to a monthly periodic payment made by a foreign employer or foreign country that is based in whole or in part upon noncovered service, the primary insurance amount of such individual shall be determined under section 215 as such section was in effect on the day before the enactment of the Social Security Reform Act of 2016 for months beginning with the first month of the individual's initial entitlement to such monthly periodic payment.

"(vii) In the case of an individual who initially becomes eligible for old-age or disability insurance benefits, or who dies (before becoming eligible for such benefits), in any year during the 9-year period beginning with 2023, the primary insurance amount of the individual shall be equal to the sum of—

"(I) the applicable percentage (specified for such year in the table set forth in clause (viii)) of the individual's primary insurance amount, as determined under this subparagraph (other than this clause and clause (viii)) with the application of clauses (i) through (vi) of this subparagraph, plus

"(II) a percentage, equal to the excess of 100 percent over the applicable percentage, of the individual's primary insurance amount, as determined under this paragraph (other than this clause and clause (viii)) with the application of the preceding subparagraphs of this paragraph (as if such preceding subparagraphs applied for the individual and clauses (i) through (vi) of this subparagraph did not apply), rounded to the nearest $1, except that any amount so established which is a multiple of $0.50 but not of $1, shall be rounded to the next highest $1.

"(viii) The table set forth in this clause is as follows:

"For the year:	**The applicable percentage is:**
2023	10
2024	20
2025	30
2026	40
2027	50
2028	60
2029	70
2030	80
2031	90.".

(b) REPEAL OF THE WINDFALL ELIMINATION PROVISION.—

(1) IN GENERAL.—Section 215(a) of the Social Security Act (42 U.S.C. 415(a)) is amended by striking paragraph (7).

(2) CONFORMING AMENDMENTS.—Section 215 of such Act (42 U.S.C. 415) is amended—

(A) in subsection (d), by striking paragraph (3); and

(B) in subsection (f), by striking paragraph (9).

(c) COMPUTATION OF PRIMARY INSURANCE AMOUNT FOR CURRENT BENEFICIARIES.—Section 215(a) of the Social Security Act (42 U.S.C. 415(a)) (as amended by subsections (a) and (b)) is further amended by inserting after paragraph (6) the following:

"(7) In the case of any individual who initially becomes eligible for an old-age or disability insurance benefit before January 1, 2023, any computation or recomputation of the primary insurance amount of such individual shall be made under section 215 as such section was in effect on the day before the enactment of section 101 of the Social Security Reform Act of 2016.".

(d) CONFORMING AMENDMENT.—Section 209(k)(1) of such Act (42 U.S.C. 409(k)(1)) is amended by striking "215(a)(1)(D)" and inserting "215(a)(1)(D)(iii), 215(a)(1)(E)".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to monthly insurance benefits payable on or after January 1, 2023.

SEC. 102. RAISE FULL RETIREMENT AGE.

(a) IN GENERAL.—Section 216(l) of the Social Security Act (42 U.S.C. 416(l)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (D), by striking "and" at the end;

(B) in subparagraph (E), by striking "67 years of age." and inserting "and before January 1, 2023, 67 years of age;"; and

(C) by adding at the end the following:

"(F) with respect to an individual who attains early retirement age after December 31, 2022, and before January 1, 2030, 67 years of age plus the number of months in the age increase factor (as determined under paragraph (3)) for the calendar year in which such individual attains early retirement age; and

"(G) with respect to an individual who attains early retirement age after December 31, 2029, 69 years of age."; and

(2) in paragraph (3), by adding at the end the following:

"(C) With respect to an individual who attains early retirement age in the 7-year period consisting of the calendar years 2023 through 2029, the age increase factor shall be equal to three-twelfths of the number of months in the period beginning with January 2023 and ending with December of the year in which the individual attains early retirement age.".

(b) EXTENSION OF MAXIMUM AGE FOR ENTITLEMENT TO DELAYED RETIREMENT CREDIT.—Section 202(w)(2)(A) of such Act (42 U.S.C. 402(w)(2)(A)) is amended—

(1) by striking “prior to the month in which such individual attained age 70, and” and inserting “prior to the later of—”; and

(2) by adding at the end the following:

“(i) the month in which such individual would attain age 70, or

“(ii) the month which ends 36 months after the end of the month in which such individual attained retirement age (as defined in section 216(l)), and”.

SEC. 103. USE AN ACCURATE COST-OF-LIVING MEASURE.

(a) IN GENERAL.—Section 215(i)(1) of the Social Security Act (42 U.S.C. 415(i)(1)) is amended by adding at the end the following:

“(H) the term ‘Consumer Price Index’ means the Chained Consumer Price Index for All Urban Consumers (C–CPI–U, as published in its initial version by the Bureau of Labor Statistics of the Department of Labor).”.

(b) APPLICATION TO PRE-1979 LAW.—

(1) IN GENERAL.—Section 215(i)(1) of the Social Security Act as in effect in December 1978, and as applied in certain cases under the provisions of such Act as in effect after December 1978, is amended by adding at the end the following:

"(D) the term 'Consumer Price Index' means the Chained Consumer Price Index for All Urban Consumers (C–CPI–U, as published in its initial version by the Bureau of Labor Statistics of the Department of Labor).".

(2) CONFORMING CHANGE.—Section 215(i)(4) of the Social Security Act (42 U.S.C. 415(i)(4)) is amended by inserting "and by section 103 of the Social Security Reform Act of 2016" after "1986".

(c) NO EFFECT ON ADJUSTMENTS UNDER OTHER LAWS.—Section 215(i) of such Act (42 U.S.C. 415(i)), as amended by subsection (a), is further amended by adding at the end the following:

"(6) Any provision of law (other than in this title) which provides for adjustment of an amount based on a change in benefit amounts resulting from a determination made under this subsection shall be applied and administered without regard to the amendments made by section 103 of the Social Security Reform Act of 2016.".

(d) LIMIT ON COLA.—Section 215(i)(2)(A) of the Social Security Act (42 U.S.C. 415(i)(2)(A)) is amended by adding at the end the following:

"(iv)(I) In any case in which (but for this clause) an increase would take effect with December of any calendar year after 2017 pursuant to clause (ii)(I) in the benefit amount to which an individual is entitled, any increase pursuant to clause (ii)(II) in an individual's primary insurance amount, or any increase pursuant to clause (ii)(III) in the permitted amount of total monthly benefits based on an individual's primary insurance amount, the applicable increase percentage with respect to the applicable cost-of-living computation quarter shall be deemed to be zero in the case of such individual if the modified adjusted gross income of such individual for such calendar year, as would be determined for purposes of section 1839(i), equals or exceeds the applicable base amount.

"(II) For purposes of subclause (I), the applicable base amount is the threshold amount applicable for such calendar year under subparagraph (A) of section 1839(i)(2) (or, in the case of an individual filing a joint return, the threshold amount so applicable under subparagraph (B) of such section). Such threshold amount shall be subject to adjustments under section 1839(i)(5).".

(e) DISCLOSURE OF RETURN INFORMATION.—

(1) IN GENERAL.—The first sentence of section 6103(l)(20)(A) of the Internal Revenue Code of 1986 is amended by inserting ", or whose increase in primary insurance amount may be limited under

section 215(i)(2)(A)(iv) of such Act'' before the period at the end.

(2) CONFORMING AMENDMENTS.—

(A) Section 6103(l)(20)(A)(vii) of such Code is amended by inserting ''that the increase in the taxpayer's primary insurance amount under section 215(i)(2)(A)(iv) may be limited, or'' after ''section 1839 of the Social Security Act''.

(B) Section 6103(l)(20)(B)(i) of such Code is amended—

(i) by inserting '', any limitation in an increase in primary insurance amount under such section 215(i)(2)(A)(iv),'' after ''under such section 1860D–13(a)(7)'', and

(ii) by inserting ''or any such limitation'' after ''adjustment or increase''.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply with respect to adjustments effective with or after December 2018.

(2) SUBSECTION (e).—The amendments made by subsection (e) shall apply to requests for information after the date of the enactment of this Act.

SEC. 104. CAP ON NONWORKING SPOUSE BENEFIT.

(a) WIFE'S INSURANCE BENEFITS.—Section 202(b) of the Social Security Act (42 U.S.C. 402(b)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (D), by striking "such individual," and inserting "such individual or, if less, than the amount determined under paragraph (2)(B),"; and

(B) in subparagraph (J), by striking "one-half of the primary insurance amount of such individual" and inserting "the lesser of—

"(i) one-half of the primary insurance amount of such individual, or

"(ii) the amount determined under paragraph (2)(B), or"; and

(2) in paragraph (2)—

(A) by inserting "(A)" after "(2)";

(B) by inserting "subparagraphs (B) and (C) and" after "Except as provided in"; and

(C) by adding at the end the following new subparagraphs:

"(B)(i) Effective with respect to a wife or divorced wife of an individual entitled to old-age or disability insurance benefits who initially becomes eligible for such benefits after 2022, such wife's insurance benefit for each month shall not exceed—

"(I) if the month of such initial eligibility is before 2032, the transitional amount determined under subparagraph (C), or

"(II) if the month of such initial eligibility is after 2031, 50 percent of the primary insurance amount determined for an individual who is an average wage index worker with respect to such month.

"(ii) For purposes of clause (i), the term 'average wage index worker' with respect to a month means an individual who initially becomes eligible for old-age insurance benefits during such month with average indexed monthly earnings equal to $1/12$ of the national average wage index (as defined in section 209(k)(1)) for the second calendar year preceding such month.

"(C)(i) The transitional amount determined under this subparagraph is the excess of—

"(I) the amount of the benefit determined under subparagraph (A), over

"(II) the reduction amount determined under clause (ii) (if any).

"(ii) The reduction amount determined under this clause is the applicable percentage specified in clause (iii) of the excess (if any) of—

"(I) the amount of the benefit determined under subparagraph (A), over

"(II) 50 percent of the primary insurance amount determined for an individual who is an average wage index worker (as defined in subparagraph (B)(ii)) with respect to the month in which the individual described in subparagraph (B)(i) initially becomes eligible for old-age or disability insurance benefits.

"(iii) For purposes of clause (ii), the applicable percentage specified in this clause is the percentage specified in connection with the year in which the individual described in subparagraph (B)(i) initially becomes eligible for old-age or disability insurance benefits, as set forth in the following table:

"If the year in which the individual first becomes eligible is:	The applicable percentage is:
2023	10
2024	20
2025	30
2026	40
2027	50
2028	60
2029	70
2030	80
2031	90.

"(D) For purposes of this paragraph, an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, she would be entitled to such benefit for such month.".

(b) HUSBAND'S INSURANCE BENEFITS.—Section 202(c) of such Act (42 U.S.C. 402(c)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (D), by striking ''such individual,'' and inserting ''such individual or, if less, than the amount determined under paragraph (2)(B),''; and

(B) in subparagraph (J), by striking ''one-half of the primary insurance amount of such individual'' and inserting ''the lesser of—

''(i) one-half of the primary insurance amount of such individual, or

''(ii) the amount determined under paragraph (2)(B), or''; and

(2) in paragraph (2)—

(A) by inserting ''(A)'' after ''(2)'';

(B) by inserting ''subparagraphs (B) and (C) and'' after ''Except as provided in''; and

(C) by adding at the end the following new subparagraphs:

''(B)(i) Effective with respect to a husband or divorced husband of an individual entitled to old-age or disability insurance benefits who initially becomes eligible for such benefits after 2022, such husband's insurance benefit for each month shall not exceed—

"(I) if the month of such initial eligibility is before 2032, the transitional amount determined under subparagraph (C), or

"(II) if the month of such initial eligibility is after 2031, 50 percent of the primary insurance amount determined for an individual who is an average wage index worker with respect to such month.

"(ii) For purposes of clause (i), the term 'average wage index worker' with respect to a month means an individual who initially becomes eligible for old-age insurance benefits during such month with average indexed monthly earnings equal to $\frac{1}{12}$ of the national average wage index (as defined in section 209(k)(1)) for the second calendar year preceding such month.

"(C)(i) The transitional amount determined under this subparagraph is the excess of—

"(I) the amount of the benefit determined under subparagraph (A), over

"(II) the reduction amount determined under clause (ii) (if any).

"(ii) The reduction amount determined under this clause is the applicable percentage specified in clause (iii) of the excess (if any) of—

"(I) the amount of the benefit determined under subparagraph (A), over

"(II) 50 percent of the primary insurance amount determined for an individual who is an average wage index worker (as defined in subparagraph (B)(ii)) with respect to the month in which the individual described in subparagraph (B)(i) initially becomes eligible for old-age or disability insurance benefits.

"(iii) For purposes of clause (ii), the applicable percentage specified in this clause is the percentage specified in connection with the year in which the individual described in subparagraph (B)(i) initially becomes eligible for old-age or disability insurance benefits, as set forth in the following table:

"If the year in which the individual first becomes eligible is:	The applicable percentage is:
2023	10
2024	20
2025	30
2026	40
2027	50
2028	60
2029	70
2030	80
2031	90.

"(D) For purposes of this paragraph, an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, he would be entitled to such benefit for such month.".

(c) CONFORMING AMENDMENT.—Section 209(k)(1) of such Act (42 U.S.C. 409(k)(1)) is amended by inserting "202(b)(2)(B), 202(c)(2)(B)," before "203(f)(8)(B)(ii)".

SEC. 105. CAP ON CHILD'S BENEFIT.

(a) CHILD'S INSURANCE BENEFITS.—Section 202(d)(2) of the Social Security Act (42 U.S.C. 402(d)(2)) is amended—

(1) by striking "Such" in the first sentence and inserting "(A) Except as provided in subparagraph (B), such"; and

(2) by adding at the end the following:

"(B)(i) Such child's insurance benefit for each month, with respect to a child of an individual entitled to old-age or disability insurance benefits who initially becomes eligible for such old-age or disability insurance benefits after 2022 and has not died prior to the end of such month, shall not exceed—

"(I) if the month of such initial eligibility is before 2032, the transitional amount determined under subparagraph (C), or

"(II) if the month of such initial eligibility is after 2031, 50 percent of the primary insurance amount determined for an individual who is an average wage index worker with respect to such month.

"(ii) For purposes of clause (i), the term 'average wage index worker' with respect to a month means an individual who initially becomes eligible for old-age insurance benefits during such month with average indexed monthly earnings equal to 1⁄12 of the national average wage index (as defined in section 209(k)(1)) for the second calendar year preceding such month.

"(C)(i) The transitional amount determined under this subparagraph is the excess of—

"(I) the amount of the benefit determined under subparagraph (A), over

"(II) the reduction amount determined under clause (ii) (if any).

"(ii) The reduction amount determined under this clause is the applicable reduction percentage specified in clause (iii) of the excess (if any) of—

"(I) the amount of the benefit determined under subparagraph (A), over

"(II) 50 percent of the primary insurance amount as determined for an individual who is an average wage index worker (as defined in subparagraph (B)(ii)) with respect to the month in which the individual described in subparagraph (B)(i) initially becomes eligible for old-age or disability insurance benefits.

"(iii) For purposes of clause (ii), the applicable reduction percentage specified in this clause is the percentage specified in connection with the year in which the individual described in subparagraph (B)(i) becomes entitled to old-age or disability insurance benefits, as set forth in the following table:

"If the year in which the individual first becomes eligible is:	The applicable reduction percentage is:
2023	10
2024	20
2025	30
2026	40
2027	50
2028	60
2029	70
2030	80
2031	90.

"(D) For purposes of this paragraph, an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, he would be entitled to such benefit for such month.".

(b) CONFORMING AMENDMENT.—Section 209(k)(1) of such Act (42 U.S.C. 409(k)(1)) is amended by inserting "202(d)(2)(B)," before "203(f)(8)(B)(ii)".

SEC. 106. REQUIRE CHILD BENEFICIARIES TO ATTEND SCHOOL.

(a) CHILD'S BENEFITS UNDER TITLE II.—

(1) IN GENERAL.—Section 202(d)(1)(B)(i) of the Social Security Act (42 U.S.C. 402(d)(1)(B)(i)) is amended by striking "age of 18" and inserting "applicable full-time attendance age".

(2) APPLICABLE FULL-TIME ATTENDANCE AGE.—Section 202(d)(7) of such Act (42 U.S.C. 402(d)(7)) is amended by adding at the end the following:

"(E) The 'applicable full-time attendance age' is—

"(i) the age of 18 (in the case of an individual who becomes entitled to child's insurance benefits before 2019), and

"(ii) the age of 15 (in the case of an individual who becomes entitled to child's insurance benefits in or after 2019).".

(3) CONFORMING AMENDMENTS.—

(A) TERMINATION.—Section 202(d)(1) of such Act (42 U.S.C. 402(d)(1)) is amended in each of subparagraphs (E), (F), and (G) by striking "age of 18" each place it appears and inserting "applicable full-time attendance age".

(B) REENTITLEMENT.—Section 202(d)(6) of such Act (42 U.S.C. 402(d)(6)) is amended by striking "age of 18" and inserting "applicable full-time attendance age".

TITLE II—REWARDING WORK

SEC. 201. STRENGTHENING SOCIAL SECURITY FOR LONG CAREER WORKERS.

(a) IN GENERAL.—Section 215(a)(1) of the Social Security Act (42 U.S.C. 415(a)(1)) (as amended by section 101) is further amended—

(1) by redesignating subparagraph (E) (as redesignated by section 101) as subparagraph (F); and

(2) by inserting after subparagraph (D) (as redesignated by section 101) the following new subparagraph:

"(E)(i) In the case of an individual who initially becomes eligible for old-age or disability insurance benefits, or who dies (before becoming eligible for such benefits), in any calendar year after 2022, the primary insurance amount computed under subparagraph (A) with respect to the individual shall not be less than the greater of—

"(I) the minimum amount computed under subparagraph (C), or

"(II) except as provided in clause (iv), in the case of an individual who has at least 10 years of work (as defined in clause (iii)), the minimum amount determined under clause (ii).

"(ii)(I) The minimum amount determined under this clause is the dollar amount equal to $1/12$ of the applicable percentage of the national average wage index (as defined in section 209(k)(1)) for the second year prior to the year for which the amount is computed.

"(II) For purposes of subclause (I), the applicable percentage is the percentage specified in connection with the number of years of work, as set forth in the following table:

“If the number of years of work is:	The applicable percentage is:
11	3
12	6
13	9
14	12
15	15
16	16
17	17
18	18
19	19
20	25
21	25⅔
22	26⅓
23	27
24	27⅔
25	28⅓
26	29
27	29⅔
28	30⅓
29	31
30	31⅔
31	32⅓
32	33
33	33⅔
34	34⅓
35 or greater	35.

“(iii)(I) For purposes of this subparagraph, the term ‘year of work’ means, with respect to an individual, a year to which there is credited wages and self-employment income earned or derived by such individual in an amount equal to not less than, in the case of any such year, $10,875, multiplied by the ratio that the national average wage index (as defined in section 209(k)(1)) for the second year prior to such year bears to the national average wage index (as so defined) for 2017.

“(II) For purposes of applying the table in clause (ii) in the case of an individual entitled to disability insurance benefits under section 223, the number of years of work of such individual shall be deemed to be the product of 35 times the ratio of the actual number of years of work of such individual to the number of such individual's benefit computation years. Any such product which is not a multiple of one shall be rounded to the next higher multiple of one.

"(III) In the case of a widow, surviving divorced wife, widower, surviving divorced husband, or surviving divorced parent (hereinafter in this subclause referred to as the 'surviving beneficiary') of an individual whose primary insurance amount is otherwise determined, but for this subclause, under the preceding provisions of this subparagraph (hereinafter in this subclause referred to as the 'insured individual'), for purposes of determining the widow's, widower's, mother's, or father's insurance benefit of the surviving beneficiary under subsection (e), (f), or (g) of section 202 on the basis of such primary insurance amount, such primary insurance amount shall be deemed to be equal to the primary insurance amount which would be determined under this subparagraph (before application of this subclause) if the number of years of work of the insured individual were equal to the product of 35 times the ratio (not greater than one) of the actual number of years of work of the surviving beneficiary to the number of the benefit computation years of the insured individual. Any such product which is not a multiple of one shall be rounded to the next higher multiple of one.

"(iv) In the case of an individual who initially becomes eligible for old-age or disability insurance benefits, or who dies (before becoming eligible for such benefits), in any year during the 9-year period beginning with 2023, the primary insurance amount computed under subparagraph (A) with respect to the individual shall not be less than the greater of—

"(I) the minimum amount computed under subparagraph (C), or

"(II) the applicable phase-in percentage (specified for such calendar year in the table set forth in clause (v)) of the minimum amount determined under clause (ii).

"(v) The table set forth in this clause is as follows:

"For the calendar year:	The applicable phase-in percentage is:
2023	10
2024	20
2025	30
2026	40
2027	50
2028	60
2029	70
2030	80
2031	90.".

(b) CONFORMING AMENDMENT.—Section 209(k)(1) of such Act (42 U.S.C. 409(k)(1)) (as amended by section

101) is further amended by inserting "215(a)(1)(F)," after "215(a)(1)(E),".

SEC. 202. REPEAL OF THE RETIREMENT EARNINGS TEST.

(a) IN GENERAL.—Subsections (b), (c)(1), (d), (f), (h), (j), and (k) of section 203 of the Social Security Act (42 U.S.C. 403) are repealed.

(b) CONFORMING AMENDMENTS.—Section 203 of such Act (as amended by subsection (a)) is further amended—

(1) by redesignating subsections (c), (e), (g), and (l) as subsections (b), (c), (d), and (e), respectively;

(2) in subsection (b) (as so redesignated)—

(A) by striking "NONCOVERED WORK OUTSIDE THE UNITED STATES OR";

(B) by redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively;

(C) by striking "paragraphs (2), (3), and (4) of"; and

(D) by striking the last sentence;

(3) in subsection (c) (as so redesignated), by striking "subsections (c) and (d)" and inserting "subsection (b)";

(4) in subsection (d) (as so redesignated), by striking ''subsection (c)'' each place it appears and inserting ''subsection (b)''; and

(5) in subsection (e) (as so redesignated), by striking ''subsection (g) or (h)(1)(A)'' and inserting ''subsection (d)''.

(c) ADDITIONAL CONFORMING AMENDMENTS.—

(1) PROVISIONS RELATING TO BENEFITS TERMINATED UPON DEPORTATION.—Section 202(n)(1) of the Social Security Act (42 U.S.C. 402(n)(1)) is amended by striking ''Section 203(b), (c), and (d)'' and inserting ''Section 203(b)''.

(2) PROVISIONS RELATING TO EXEMPTIONS FROM REDUCTIONS BASED ON EARLY RETIREMENT.—Section 202(q) of such Act (42 U.S.C. 402(q)) is amended—

(A) in paragraph (5)(B), by striking ''section 203(c)(2)'' and inserting ''section 203(b)(1)''; and

(B) in paragraph (7)(A), by striking ''deductions under section 203(b), 203(c)(1), 203(d)(1), or 222(b)'' and inserting ''deductions on account of work under section 203 or deductions under section 222(b)''.

(3) PROVISIONS RELATING TO EXEMPTIONS FROM REDUCTIONS BASED ON DISREGARD OF CERTAIN ENTITLEMENTS TO CHILD'S INSURANCE BENEFITS.—Section 202(s) of such Act (42 U.S.C. 402(s)) is amended—

(A) in paragraph (1), by striking "paragraphs (2), (3), and (4) of section 203(c)" and inserting "paragraphs (1), (2), and (3) of section 203(b)"; and

(B) in paragraph (3), by striking "The last sentence of subsection (c) of section 203, subsection (f)(1)(C) of section 203, and subsections" and inserting "Subsections".

(4) PROVISIONS RELATING TO SUSPENSION OF ALIENS' BENEFITS.—Section 202(t)(7) of such Act (42 U.S.C. 402(t)(7)) is amended by striking "Subsections (b), (c), and (d)" and inserting "Subsection (b)".

(5) PROVISIONS RELATING TO REDUCTIONS IN BENEFITS BASED ON MAXIMUM BENEFITS.—Section 203(a)(3)(B)(iii) of such Act (42 U.S.C. 403(a)(3)(B)(iii)) is amended by striking "and subsections (b), (c), and (d)" and inserting "and subsection (b)".

(6) PROVISIONS RELATING TO PENALTIES FOR MISREPRESENTATIONS CONCERNING EARNINGS FOR PERIODS SUBJECT TO DEDUCTIONS ON ACCOUNT OF WORK.—Section 208(a)(1)(C) of such Act (42 U.S.C. 408(a)(1)(C)) is amended by striking "under section 203(f) of this title for purposes of deductions from benefits" and inserting "under section 203 for purposes of deductions from benefits on account of work".

(7) PROVISIONS TAKING INTO ACCOUNT EARNINGS IN DETERMINING BENEFIT COMPUTATION YEARS.—Clause (I) in the next to last sentence of section 215(b)(2)(A) of such Act (42 U.S.C. 415(b)(2)(A)) is amended by striking "no earnings as described in section 203(f)(5) in such year" and inserting "no wages, and no net earnings from self-employment (in excess of net loss from self-employment), in such year".

(8) PROVISIONS RELATING TO ROUNDING OF BENEFITS.—Section 215(g) of such Act (42 U.S.C. 415(g)) is amended by striking "and any deduction under section 203(b)".

(9) PROVISIONS DEFINING INCOME FOR PURPOSES OF SSI.—Section 1612(a) of such Act (42 U.S.C. 1382a(a)) is amended—

(A) in paragraph (1)(A), by striking ''as determined under section 203(f)(5)(C)'' and inserting ''as defined in the last two sentences of this subsection''; and

(B) by adding at the end (after and below paragraph (2)(H)) the following:

''For purposes of paragraph (1)(A), the term 'wages' means wages as defined in section 209, but computed without regard to the limitations as to amounts of remuneration specified in paragraphs (1), (6)(B), (6)(C), (7)(B), and (8) of section 209(a). In making the computation under the preceding sentence, (A) services which do not constitute employment as defined in section 210, performed within the United States by an individual as an employee or performed outside the United States in the active military or naval services of the United States, shall be deemed to be employment as so defined if the remuneration for such services is not includible in computing the individual's net earnings or net loss from self-employment for purposes of title II, and (B) the term 'wages' shall be deemed not to include (i) the amount of any payment made to, or on behalf of, an employee or any of his or her dependents (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement, or

(ii) any payment or series of payments by an employer to an employee or any of his or her dependents upon or after the termination of the employee's employment relationship because of retirement after attaining an age specified in a plan referred to in section 209(a)(11)(B) or in a pension plan of the employer.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years ending after December 31, 2022.

TITLE III—IMPROVING RETIREMENT SECURITY

SEC. 301. PHASEOUT OF TAX ON SOCIAL SECURITY BENEFITS RELATING TO THE SOCIAL SECURITY TRUST FUNDS.

(a) IN GENERAL.—Section 86 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

``(g) PHASEOUT OF TAX RELATING TO THE SOCIAL SECURITY TRUST FUNDS.—

``(1) IN GENERAL.—In the case of any taxable year beginning after December 31, 2044, and before January 1, 2054, the base amount shall be determined under subsection (c)(1) by—

"(A) substituting for '$25,000' the amount determined in accordance with the following table:

"For taxable years beginning in calendar year—	The amount is—
2045	$32,500
2046	$40,000
2047	$47,500
2048	$55,000
2049	$62,500
2050	$70,000
2051	$77,500
2052	$85,000
2053	$92,500;

and

"(B) substituting for '$32,000' the amount determined in accordance with the following table:

"For taxable years beginning in calendar year—	The amount is—
2045	$65,000
2046	$80,000
2047	$95,000
2048	$110,000
2049	$125,000
2050	$140,000
2051	$155,000
2052	$170,000
2053	$185,000.

"(2) TERMINATION AFTER 2053 OF TAX RELATING TO THE SOCIAL SECURITY TRUST FUNDS.—In the case of any taxable year beginning after December 31, 2053—

"(A) subsection (a)(1) shall not apply, and

"(B) the amount determined under paragraph (3)(A) shall be zero.

"(3) PRESERVATION OF TAX RELATING TO THE HOSPITAL INSURANCE TRUST FUND.—In the case of any taxable year beginning after December 31, 2044, the amount determined under subsection (a)(2) shall be equal to the sum of—

"(A) the amount determined under subsection (a)(1) (after the application of paragraphs (1) and (2) of this subsection), plus

"(B) the excess of—

"(i) the amount determined under subsection (a)(2)—

"(I) without regard to this paragraph, and

"(II) by determining the base amount, and the amount determined under subsection (a)(1), without regard to paragraphs (1) and (2) of this subsection, over

"(ii) the amount determined under subsection (a)(1) without regard to paragraphs (1) and (2) of this subsection.".

(b) CONFORMING AMENDMENT.—Section 871(a)(3)(A) of such Code is amended by inserting "(35 percent in the case of taxable years beginning after December 31, 2053)" after "85 percent".

(c) TRANSFERS TO TRUST FUNDS.—With respect to tax liabilities determined for taxable years beginning after December 31, 2044, the aggregate increase in tax liabilities described in section 121(e)(1)(A)(ii) of the Social Security Amendments of 1983 (and referred to in section 121(e)(1)(B) of such Act) shall be equal to the aggregate increase in tax liabilities under chapter 1 of the Internal Revenue Code of 1986 which is attributable to section 86(a)(2) of such Code (determined after application of section 86(g)(3) of such Code). With respect to tax liabilities for taxable years beginning after December 31, 2053, such aggregate shall be increased by the aggregate increase in such tax liabilities which is attributable to section 871(a)(3)(A) of such Code.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2044.

(2) CONFORMING AMENDMENT.—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2053.

SEC. 302. OPTION TO CLAIM DELAYED RETIREMENT CREDIT IN PARTIAL LUMP SUM.

Section 202(w) of the Social Security Act (42 U.S.C. 402(w)) is amended by adding at the end the following:

"(7)(A) In any case in which an individual becomes entitled to an old-age insurance benefit in a calendar year after 2022, and such benefit is subject to a monthly increase under paragraph (1), such individual may elect to receive, in lieu of the monthly increase under paragraph (1)—

"(i) an alternate monthly increase as determined under subparagraph (E); and

"(ii) in addition to such monthly benefit as increased under clause (i), a one-time lump sum payment, payable at the time of such individual's entitlement to such benefit, equal to the sum of the present values (as determined by the Commissioner of Social Security using reasonable assumptions) of the applicable percentage (determined under subparagraph (B)) of the amount of such monthly benefit (as determined before the application of such increase) for each month in the life expectancy period (determined under subparagraph (C)).

"(B) The applicable percentage determined under this subparagraph is the percentage equal to the product of—

"(i) $\frac{1}{6}$ of 1 percent, multiplied by

"(ii) the number (if any) of the increment months for such individual.

"(C) The life expectancy period determined under this subparagraph is, with respect to an individual, the period—

"(i) beginning with the month in which the individual becomes entitled to an old-age insurance benefit; and

"(ii) ending with the month before the last month of life expectancy (as determined by the Commissioner of Social Security using reasonable actuarial assumptions) for the cohort of individuals who become eligible for an old-age insurance benefit in the same month as the individual.

"(D) The Commissioner of Social Security shall certify to the Managing Trustee of the Federal Old-Age and Survivors Insurance Trust Fund the amount of any lump sum payment payable to an individual under subparagraph (A) and, upon receipt of such certification, the Managing Trustee shall make payment of such lump sum payment to such individual from such Trust Fund.

"(E) An alternate monthly increase for an individual determined under this subparagraph shall be equal to the monthly increase for the individual that would be determined under paragraph (1) if such monthly increase were determined by substituting '½' for '⅔' in paragraph (6)(D).

"(F)(i) For purposes of determining the amount of any benefit payable under this title on the basis of the wages and self-employment income of an individual who makes an election under this paragraph, the amount of any such benefit shall be determined as if such individual's old-age benefit had been increased under paragraph (1) without regard to this paragraph.

"(ii) For purposes of applying any reduction under subsection (k)(3)(A) to the monthly insurance benefit of an individual who makes an election under this paragraph, the amount of such individual's old-age benefit shall be determined as if such old-age benefit had been increased under paragraph (1) without regard to this paragraph.".

SEC. 303. STRENGTHENING SOCIAL SECURITY FOR LOW-INCOME SENIORS.

(a) IN GENERAL.—Section 202 of the Social Security Act (42 U.S.C. 402) is amended by adding at the end the following:

"(aa) INCREASE IN BENEFIT AMOUNTS ON ACCOUNT OF LONG-TERM ELIGIBILITY.—(1) In the case of an individual who is a qualified beneficiary for a calendar year after 2022, the amount of any monthly insurance benefit of such qualified beneficiary under this section or section 223 for any month in such calendar year shall be increased in accordance with paragraph (3).

"(2)(A) For purposes of this subsection, the term 'qualified beneficiary' for a calendar year means an individual in any case in which—

"(i) such calendar year begins at least 20 years after the applicable date of eligibility for such individual; and

"(ii) such individuals's modified adjusted gross income (applicable with respect to such calendar year as determined under subparagraph (C)) is less than (subject to subparagraph (D)) the applicable base amount for such calendar year, or in the case of a joint return (within the meaning of section 7701(a)(38) of the Internal Revenue Code of 1986), double such applicable base amount.

"(B) For purposes of this subsection, the applicable date of eligibility for an individual is the date on which the individual on whose wages and self-employment income the monthly insurance benefit is based initially became eligible (or died before becoming eligible) for old-age insurance benefits under subsection (a) or entitled to disability insurance benefits under section 223.

"(C) An individuals's modified adjusted gross income applicable with respect to a calendar year shall be as determined for purposes of section 1839(i)(4) with respect to premiums for a month in such year.

"(D) For purposes of subparagraph (A)(ii), the applicable base amount for a calendar year is—

"(i) in the case of calendar year 2023, $25,000; and

"(ii) in the case of any calendar year beginning after 2023, the product (rounded to the nearest multiple of $1,000) of $25,000 and the percentage (if any) by which the average of the Chained Consumer Price Index for All Urban Consumers (C–CPI–U, as published in its initial version by the Bureau of Labor Statistics of the Department of Labor) for the 12-month period ending with August of the preceding calendar year exceeds such average for the 12-month period ending with August 2022.

"(3)(A) The increase required under paragraph (1) with respect to the monthly insurance benefit of an individual who is a qualified beneficiary for a calendar year shall be equal to the applicable percentage (specified for such benefit in subparagraph (B)) of the full increase amount for such calendar year (determined under subparagraph (C)).

"(B) The applicable percentage specified for a monthly insurance benefit under this subparagraph for a calendar year is the percentage specified, in connection with the number of years ending after the applicable date of eligibility for such individual and before such calendar year, in the following table:

"If the number of years is:	The applicable percentage is:
20	20
21	40
22	60
23	80
24 or more	100.

"(C)(i) Except as provided in clauses (ii) and (iii), the full increase amount determined under this subparagraph for a calendar year in connection with the monthly insurance benefit of a qualified beneficiary is a dollar amount equal to 5 percent of the primary insurance amount of a hypothetical individual if—

"(I) such primary insurance amount is determined for January of such calendar year;

"(II) on January 1 of the calendar year in which occurred the applicable date of eligibility with respect to such qualified beneficiary, such hypothetical individual were fully insured, attained retirement age (as defined in section 216(l)(2)) and were otherwise eligible for, and applied for, old-age insurance benefits; and

"(III) such hypothetical individual's average indexed monthly earnings taken into account in determining such primary insurance amount were equal to $\frac{1}{12}$ of the national average wage index (as defined in section 209(k)(1)) for the second year prior to such calendar year.

"(ii)(I) In the case of a monthly insurance benefit under subsection (b) or (c), the full increase amount determined under this subparagraph shall be one-half the amount determined under clause (i); or

"(II) in the case of a monthly insurance benefit under subsection (d), (g), or (h), the full increase amount determined under this subparagraph shall be the percentage of the amount determined under clause (i) equal to the ratio which the amount of such benefit bears to the primary insurance amount (before the application of section 203(a)) of the individual on whose wages and self-employment income the monthly insurance benefit is based.

"(iii) In the case of an individual whose applicable date of eligibility is before 2019, the full increase amount determined under this subparagraph shall be the product of—

"(I) the amount determined under clause (i) (after application of any reduction under clause (ii)); and

"(II) a fraction—

"(aa) the numerator of which is the number of calendar years in the period beginning with calendar year 2019 and ending with the first calendar year for which the individual is a qualified beneficiary; and

"(bb) the denominator of which is 24.

"(4) In the case of a qualified beneficiary who is entitled to 2 or more monthly insurance benefits under this title for the same month—

"(A) the earliest applicable date of eligibility for such beneficiary with respect to such benefits shall be treated as the applicable date of eligibility for such beneficiary for the purposes of this subsection; and

"(B) such beneficiary shall be entitled to an increase with respect only to one such benefit.

"(5) This subsection shall be applied to monthly insurance benefits after any increase under subsection (w) and any applicable reductions and deductions under this title.

"(6) In any case in which an individual is entitled to benefits under both this section and section 223, the increase under this subsection shall be paid from the Federal Old-Age and Survivors Insurance Trust Fund.".

(b) CONFORMING AMENDMENTS.—

(1) Section 202 of such Act (42 U.S.C. 402) is amended—

(A) in the last sentence of subsection (a), by striking ''subsection (q) and subsection (w)'' and inserting ''subsections (q), (w), and (aa)'';

(B) in subsection (b)(2), by striking ''subsections (k)(5) and (q)'' and inserting ''subsections (k)(5), (q), and (aa)'';

(C) in subsection (c)(2), by striking ''subsections (k)(5) and (q)'' and inserting ''subsections (k)(5), (q), and (aa)'';

(D) in subsection (d)(2), by adding at the end the following: ''This paragraph shall apply subject to subsection (aa).'';

(E) in subsection (e)(2)(A), by striking ''subsection (k)(5), subsection (q), and subparagraph (D) of this paragraph'' and inserting ''subsection (k)(5), subsection (q), subsection (aa), and subparagraph (D) of this paragraph'';

(F) in subsection (f)(2)(A), by striking ''subsection (k)(5), subsection (q), and subparagraph (D) of this paragraph'' and inserting ''subsection (k)(5), subsection (q), subsection (aa), and subparagraph (D) of this paragraph'';

(G) in subsection (g)(2), by striking "Such" and inserting "Except as provided in subsections (k)(5) and (aa), such";

(H) in subsection (h)(2)(A), by inserting "and subsection (aa)" after "subparagraphs (B) and (C)"; and

(I) in section 223(a)(2), by striking "section 202(q)" and inserting "sections 202(q) and 202(aa)".

(2) Section 203(a)(4) of such Act (42 U.S.C. 403(a)(4)) is amended by inserting after "section 222(b)" the following: "and before any increase under section 202(aa)".

(3) Section 209(k)(1) of such Act (42 U.S.C. 409(k)(1)) is amended by inserting "202(aa)(2)(D)(i), 202(aa)(3)(C)(i)(II)," before "203(f)(8)(B)(ii)".

SEC. 304. END 7-YEAR LIMITATION FOR DISABLED SURVIVING SPOUSES.

(a) WIDOW'S INSURANCE BENEFITS.—

(1) IN GENERAL.—Section 202(e) of the Social Security Act (42 U.S.C. 402(e)) is amended—

(A) in paragraph (1)(B)(ii), by striking "which began before the end of the period specified in paragraph (4)";

(B) in paragraph (1)(F)(ii), by striking ‘‘(I) in the period specified in paragraph (4) and (II)’’;

(C) by striking paragraph (4) and by redesignating paragraphs (5) through (8) as paragraphs (4) through (7), respectively; and

(D) in paragraph (4)(A)(ii) (as redesignated by subparagraph (C)), by striking ‘‘whichever’’ and all that follows through ‘‘begins’’ and inserting ‘‘the first day of the seventeenth month before the month in which her application is filed’’.

(2) CONFORMING AMENDMENTS.—

(A) Section 202(e)(1)(F)(i) of such Act (42 U.S.C. 402(e)(1)(F)(i)) is amended by striking ‘‘paragraph (5)’’ and inserting ‘‘paragraph (4)’’.

(B) Section 202(e)(1)(C)(ii)(III) of such Act (42 U.S.C. 402(e)(2)(C)(ii)(III)) is amended by striking ‘‘paragraph (8)’’ and inserting ‘‘paragraph (6)’’.

(C) Section 226(e)(1)(A)(i) of such Act (42 U.S.C. 426(e)(1)(A)(i)) is amended by striking ‘‘202(e)(4),’’.

(b) WIDOWER’S INSURANCE BENEFITS.—

(1) In general.—Section 202(f) of such Act (42 U.S.C. 402(f)) is amended—

(A) in paragraph (1)(B)(ii), by striking "which began before the end of the period specified in paragraph (4)";

(B) in paragraph (1)(F)(ii), by striking "(I) in the period specified in paragraph (4) and (II)";

(C) by striking paragraph (4) and by redesignating paragraphs (5) through (8) as paragraphs (4) through (7), respectively; and

(D) in paragraph (4)(A)(ii) (as redesignated by subparagraph (C)), by striking "whichever" and all that follows through "begins" and inserting "the first day of the seventeenth month before the month in which his application is filed".

(2) Conforming amendments.—

(A) Section 202(f)(1)(F)(i) of such Act (42 U.S.C. 402(f)(1)(F)(i)) is amended by striking "paragraph (5)" and inserting "paragraph (4)".

(B) Section 202(f)(1)(C)(ii)(III) of such Act (42 U.S.C. 402(f)(2)(C)(ii)(III)) is amended by striking ‘‘paragraph (8)’’ and inserting ‘‘paragraph (6)’’.

(C) Section 226(e)(1)(A)(i) of such Act (as amended by subsection (a)(2)(C)) is further amended by striking ‘‘202(f)(1)(B)(ii), and 202(f)(4)’’ and inserting ‘‘and 202(f)(1)(B)(ii)’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to benefits payable for months after December 2022 and for which applications are filed after December 2022.

SEC. 305. BENEFITS FOR DISABLED SURVIVING SPOUSES.

(a) IN GENERAL.—

(1) ELIGIBILITY FOR WIDOW'S INSURANCE BENEFITS.—Section 202(e)(1)(B)(ii) of the Social Security Act (42 U.S.C. 402(e)(1)(B)(ii)) is amended by striking ‘‘has attained age 50 but has not attained age 60 and’’.

(2) ELIGIBILITY FOR WIDOWER'S INSURANCE BENEFITS.—Section 202(f)(1)(B)(ii) of such Act (42 U.S.C. 402(f)(1)(B)(ii)) is amended by striking ‘‘has attained age 50 but has not attained age 60 and’’.

(3) CONFORMING AMENDMENT.—Section 202(q)(3)(A) of such Act (42 U.S.C. 402(q)(3)(A)) is amended by striking ‘‘If the first month’’ and all

that follows through "widow's or widower's insurance benefit)" and inserting "If the first month for which an individual both is entitled to a wife's or husband's insurance benefit and has attained age 62 or for which an individual is entitled to a widow's or widower's insurance benefit".

(b) PRECLUSION OF ENTITLEMENT AFTER EARLY REMARRIAGE.—

(1) WIDOW'S INSURANCE BENEFITS.—Section 202(e)(1)(B)(ii) of such Act (42 U.S.C. 402(e)(1)(B)(ii)) is amended by inserting "and has not remarried prior to attaining the age which is 12 years less than early retirement age (as defined in section 216(l)(2))" before the comma.

(2) WIDOWER'S INSURANCE BENEFITS.—Section 202(f)(1)(B)(ii) of such Act (42 U.S.C. 402(f)(1)(B)(ii)) is amended by inserting "and has not remarried prior to attaining the age which is 12 years less than early retirement age (as defined in section 216(l)(2))" before the comma.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to benefits payable for months after December 2022 and for which applications are filed after December 2022.

SEC. 306. WAIVE 2-YEAR DURATION OF DIVORCE REQUIREMENT.

(a) WIFE'S INSURANCE BENEFITS.—Section 202(b)(4)(A) of the Social Security Act (42 U.S.C. 402(b)(4)(A)) is amended by adding at the end the following new sentence: "The criterion for entitlement under clause (ii) shall be deemed met upon the remarriage of the insured individual to someone other than the applicant during the 2-year period referred to in such clause.".

(b) HUSBAND'S INSURANCE BENEFITS.—Section 202(c)(4)(A) of such Act (42 U.S.C. 402(c)(4)(A)) is amended by adding at the end the following new sentence: "The criterion for entitlement under clause (ii) shall be deemed met upon the remarriage of the insured individual to someone other than the applicant during the 2-year period referred to in such clause.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to benefits payable for months after December 2022 and for which applications are filed after December 2022.

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SOCIAL SECURITY
Office of the Chief Actuary

December 8, 2016

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

Dear Chairman Johnson:

I am writing in response to your request for estimates of the financial effects on Social Security of H.R. 6489, the *Social Security Reform Act of 2016*, which you introduced today. The estimates provided here reflect the intermediate assumptions of the 2016 Trustees Report. This Bill (hereafter referred to as the proposal) includes fifteen provisions with direct effects on the Social Security Trust Funds. 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 fifteen 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. In addition, tables 1b and 1b.n provide estimates of the federal budget implications of the fifteen provisions. Assuming enactment of the plan, we estimate that the combined OASI and DI Trust Funds 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 2016 Trustees Report. In addition, under this plan 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.

While we estimate that the provisions of this proposal would make the combined OASI and DI Trust Funds solvent throughout the 75-year projection period under the intermediate assumptions of the 2016 Trustees Report, the two trust funds are separate legal entities. Some modification of the allocation of the total payroll tax rate between the OASI Trust Fund and the DI Trust Fund might be necessary to ensure that both trust funds would remain solvent for the next 75 years under these assumptions.

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

1) *For retired worker and disabled worker beneficiaries becoming initially eligible in January 2023 or later, phase in a new benefit formula (from 2023 to 2032). Replace the existing two PIA bend points with three new bend points and modified benefit formula factors.*

2) *Use an annualized "mini-PIA" formula beginning with retired and disabled worker beneficiaries becoming newly eligible in 2023, phased in over 10 years. The mini-PIA calculation would use a single year's average monthly indexed earnings (mini-AIME) and primary insurance amount (mini-PIA) for each year with taxable earnings.*

3) *Replace the current-law Windfall Elimination Provision (WEP) with a new calculation for most OASI and DI benefits based on covered and non-covered earnings, phased in for beneficiaries becoming newly eligible in 2023 through 2032.*

4) *After the normal retirement age (NRA) reaches 67 for those attaining age 62 in 2022, increase the NRA by 3 months per year starting for those attaining age 62 in 2023 until it reaches 69 for those attaining age 62 in 2030. Increase the age up to which delayed retirement credits may be earned from 70 to 72 on the same schedule.*

5) *Beginning with the December 2018 COLA, provide no COLA for those with modified adjusted gross income (MAGI) above specific thresholds and compute the COLA using the chain-weighted version of the CPI-U (C-CPI-U) for all other beneficiaries.*

6) *For spouses and children of retired workers and disabled workers becoming newly eligible beginning in 2023 and phased in for 2023 through 2032, limit their auxiliary benefit to the amount based on one-half of the PIA of a hypothetical worker with earnings equal to the national average wage index (AWI) each year up to his or her eligibility year, and who has the same eligibility year as the worker.*

7) *Beginning in January 2019, require full time school enrollment as a condition of eligibility for child benefits at age 15 up to 18.*

8) *Provide a new minimum benefit for workers with more than 10 years of covered earnings above a specified level, phased in for retired and disabled worker beneficiaries becoming newly eligible in 2023 through 2032.*

9) *Beginning in January 2019, eliminate the retirement earnings test for all beneficiaries under NRA.*

10) *Eliminate federal income taxation of OASDI benefits that is credited to the OASI and DI Trust Funds for 2054 and later, phased in from 2045 to 2053.*

11) *Provide an option to split the 8-percent delayed retirement credit (DRC) to offer a lump sum benefit at initial entitlement equivalent to 2 of the 8 percent DRC earned, and a 6 percent DRC on subsequent monthly benefits, effective for workers attaining age 62 in 2023 and later.*

12) *Beginning in January 2023, provide an addition to monthly benefits for all beneficiaries who have been eligible for at least 20 years. The additional amount is calculated based on 5 percent of the PIA for a hypothetical worker with earnings equal to the national average wage index each year.*

13) *Beginning in January 2023, for new and current disabled widow(er) beneficiaries, change the requirement that disability must occur no later than 7 years after the worker's death, or after surviving spouse with child-in-care benefits were last payable, to no later than 10 years.*

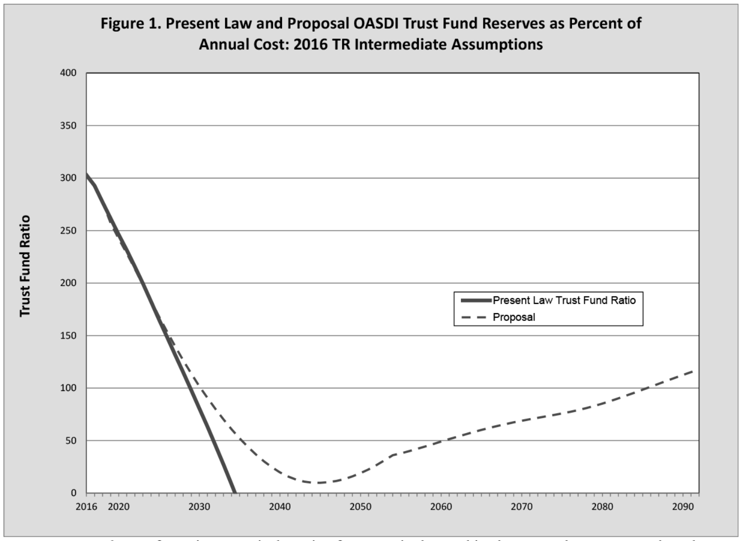
14) *Beginning in January 2023, for new and current disabled surviving spouse beneficiaries, eliminate the requirement to be age 50 or older for receipt of benefits.*

15) *Beginning in January 2023, for new and current beneficiaries, waive the two-year duration of divorce requirement for divorced spouse benefit eligibility in cases where the worker (former spouse) remarries someone other than the claimant before the two-year period has elapsed.*

The balance of this letter provides a summary of the effects of the fifteen provisions on the actuarial status of the OASDI program, our understanding of the specifications and intent of each of the fifteen 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 fifteen provisions.

Summary of Effects of the Proposal on OASDI Actuarial Status

Figure 1 illustrates the projected trust fund ratio through 2090 under present law and assuming enactment of the proposal. The trust fund ratio is defined as the combined Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Fund reserves expressed as a percent of annual program cost. Assuming enactment of the proposal, the combined OASI and DI Trust Funds would be fully solvent throughout the 75-year projection period, under the intermediate assumptions of the 2016 Trustees Report. In addition, because the projected trust fund ratio is increasing at the end of the period, the plan meets the conditions for sustainable solvency. It should be noted, however, that because the projected level of reserves reaches as low as 10 percent of annual program cost around 2045, unexpected fluctuations in the economy or other factors affecting program cost or revenue could require additional temporary measures to maintain solvency through this period.

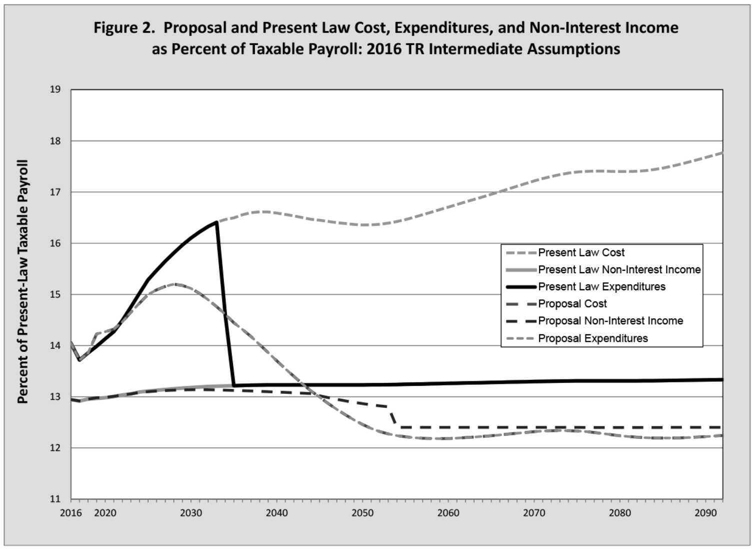


Note: *Trust Fund Ratio* for a given year is the ratio of reserves in the combined OASI and DI Trust Funds at the beginning of the year to the cost of the program for the year.

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 2090. Under the plan, 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 fifteen provisions of this proposal would change the long-range OASDI actuarial deficit from 2.66 percent of taxable payroll under current law to a positive actuarial balance of 0.02 percent of payroll under the proposal.

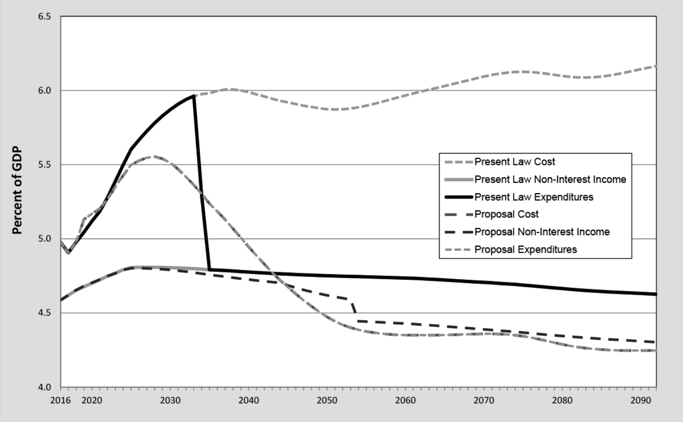
Figure 2 illustrates annual projected levels of cost, expenditures, and non-interest income as a percent of the current-law taxable payroll. The projected level of cost reflects the full cost of scheduled benefits under both current law and the proposal. Under the proposal, projected expenditures equal 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 2019. This difference decreases and by 2022, annual cost under the proposal is lower than under current law. The reduction in cost grows quickly through 2055, reaching over 4 percent of current-law payroll, and then gradually, reaching about 5.5 percent of current-law payroll for 2090. Beginning in 2019, non-interest income under the proposal is projected to be slightly higher than under current law through 2022. For 2023 and later, non-interest income under the proposal is lower than under current law due to reduced and eventual elimination of revenue from income taxation of benefits, with the difference increasing to 0.9 percent of current-law payroll for 2090. The annual balance (non-interest income minus program cost) under the proposal is slightly worse (more negative) than under current law from 2019 through 2021. For 2022 and later, the proposal improves the annual balance.

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.

Figure 3. Proposal and Present Law Cost, Expenditures, and Non-Interest Income as Percent of GDP: 2016 TR Intermediate Assumptions



Specification for Provisions of the Proposal

1) For retired worker and disabled worker beneficiaries becoming initially eligible in January 2023 or later, phase in a new benefit formula (from 2023 to 2032). Replace the existing two PIA bend points with three new bend points and modified benefit formula factors.

The three new bend points are at 25 percent, 100 percent, and 125 percent of one-twelfth the AWI from two years prior to initial eligibility. The new PIA factors are 95 percent, 27.5 percent, 5 percent, and 2 percent. During the phase-in, those becoming newly eligible for benefits will receive an increasing portion of their benefits based on the new formula, from 10 percent based on the new formula in 2023 to 100 percent based on the new formula for those becoming newly eligible in 2032 and later. This provision applies to all individuals receiving benefits on the account of a retired, disabled, or deceased worker. The new PIA formula would result in slightly higher benefit amounts for workers with average indexed earnings levels below 90 percent of the AWI, and lower benefit levels for those with higher average indexed earnings. Assuming enactment of this provision, we estimate that 51 percent of worker beneficiaries would have a higher PIA than under current law, and 49 percent would have a lower PIA.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 0.85 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2090) by 1.53 percent of payroll.

> *2) Use an annualized "mini-PIA" formula beginning with retired and disabled worker beneficiaries becoming newly eligible in 2023, phased in over 10 years. The mini-PIA calculation would use a single year's average monthly indexed earnings (mini-AIME) and primary insurance amount (mini-PIA) for each year with taxable earnings.*

For each year of earnings (indexed as under current law in a monthly equivalent form), for retired workers compute an individual PIA. Sum these individual PIAs for the 35 highest years and divide that total amount by 35 to get the PIA under this provision. For disabled and deceased workers, the number of highest mini-PIA years would equal the number of current-law benefit computation years. Phase-in over ten years, meaning that in 2023, 90 percent of the benefit would be based on the old PIA formula and 10 percent on the new mini-PIA formula, shifting by 10 percentage points each year until 100 percent is based on the new mini-PIA formula for becoming newly eligible in 2032 and later. This provision applies to all individuals receiving benefits on the account of a retired, disabled, or deceased worker.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 0.34 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2090) by 0.59 percent of payroll.

> *3) Replace the current-law Windfall Elimination Provision (WEP) with a new calculation for most OASI and DI benefits based on covered and non-covered earnings, phased in for beneficiaries becoming newly eligible in 2023 through 2032.*

For this new approach, compute a PIA based on all past earnings (covered and non-covered), and multiply by the "non-covered earnings ratio." This ratio is equal to the current-law concept of the average indexed monthly earnings computed without non-covered earnings divided by a modified average indexed monthly earnings that includes both covered and non-covered earnings in our records. Another way to describe the new approach is that beneficiaries will receive a benefit that reflects the replacement rate applicable for a worker with the same career earnings, where all earnings had been covered.

In the context of this overall proposal, the new approach under this provision would be applied for each individual year of earnings in order to compute modified mini-PIA amounts.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 0.03 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2090) by 0.05 percent of payroll.

> *4) After the normal retirement age (NRA) reaches 67 for those attaining age 62 in 2022, increase the NRA by 3 months per year starting for those attaining age 62 in 2023 until it reaches 69 for those attaining age 62 in 2030. Increase the age up to which delayed retirement credits may be earned from 70 to 72 on the same schedule.*

As the NRA is increased, the potential number of years of early entitlement (prior to NRA) for retired worker, aged spouse, and aged widow(er) benefits will increase, ultimately by 2 years. For retired worker and aged spouse benefits, the additional reduction to monthly benefits for early entitlement between 5 and 7 years will be at the rate of 4.5 percentage points per year (9/24 percentage point per month). For aged widow(er) benefits, the reduction of 28.5 percent will be retained for new entitlement at age 60 (as well as for disabled widow(er) benefits), and will be phased linearly as under current law to no reduction for age when newly entitled at NRA or above. The earliest eligibility age (EEA) for worker, spouse, and widow(er)'s benefits is unchanged.

In addition to increasing the NRA, increase the age up to which delayed retirement credits may be earned from 70 to 72 on the same schedule. Increase the widow(er) NRA in the same manner.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 0.84 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2090) by 1.33 percent of payroll.

5) Beginning with the December 2018 COLA, provide no COLA for those with modified adjusted gross income (MAGI) above specific thresholds and compute the COLA using the chain-weighted version of the CPI-U (C-CPI-U) for all other beneficiaries.

For single/head-of-household/married-filing-separate taxpayers with MAGI below $85,000 and for joint filers with MAGI below $170,000 for the prior tax year, use the chain-weighted version of the Consumer Price Index for All Urban Consumers (C-CPI-U) to calculate the cost-of-living adjustment (COLA), beginning with the December 2018 COLA. For those beneficiaries whose MAGI is above $85,000 ($170,000 if filed jointly) for the prior tax year, provide no COLA. Index the eligibility income threshold amounts to the CPI-U after December 2018. These thresholds are the Medicare Income Related Monthly Adjustment Amount (IRMAA) and are indexed in the same way.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 1.25 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2090) by 2.31 percent of payroll.

6) For spouses and children of retired workers and disabled workers becoming newly eligible beginning in 2023 and phased in for 2023 through 2032, limit their auxiliary benefit to the amount based on one-half of the PIA of a hypothetical worker with earnings equal to the national average wage index (AWI) each year up to his or her eligibility year, and who has the same eligibility year as the worker.

For retired workers, the PIA is calculated as of age 62 and is increased by COLAs thereafter. For disabled workers, the PIA is calculated as of the year of benefit eligibility and is increased by COLAs thereafter.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 0.07 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2090) by 0.11 percent of payroll.

7) Beginning in January 2019, require full time school enrollment as a condition of eligibility for child benefits at age 15 up to 18.

Under current law, children of qualifying retired, disabled, or deceased workers can receive benefits on the worker's account regardless of school attendance up to age 18. Children attending elementary, middle, or high school can continue to receive benefits up to age 19. This provision would require full time school enrollment for children age 15 up to age 18 in order to be eligible for benefits. Eligibility for disabled adult child benefits after attaining age 18 would be unchanged.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 0.01 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2090) by 0.01 percent of payroll.

8) Provide a new minimum benefit for workers with more than 10 years of covered earnings above a specified level, phased in for retired and disabled worker beneficiaries becoming newly eligible in 2023 through 2032.

Under this provision, the PIA based on any worker's account would be set at the higher of (a) the amount based on the standard PIA computation or (b) a percentage of the AWI from the second year prior to initial eligibility. The percentage under (b) would be set at zero percent of AWI for those with 10 or fewer years of work (YOWs), rising to 15 percent of AWI for those with 15 YOWs, then increasing linearly to 19 percent of AWI for those with 19 YOWs. Then the minimum PIA would jump to 25 percent of AWI for those with 20 YOWs, increasing linearly to 35 percent of AWI for those with 35 or more YOWs. A YOW is equal to earnings at or above $10,875 in 2017 (reflecting a full-time worker earning the federal minimum wage), adjusted thereafter for average wage growth. Scale the YOW requirements for disabled workers, based on years of non-disability. Use the AWI for two years prior to the year of initial eligibility in the minimum PIA calculation with COLA increases after the year of initial eligibility. This provision applies to all individuals receiving benefits on the account of a retired, disabled, or deceased worker.

We estimate that enactment of this provision alone would *increase* the long-range OASDI actuarial deficit by 0.23 percent of taxable payroll and would *increase* the annual deficit for the 75th projection year (2090) by 0.41 percent of payroll.

9) Beginning in January 2019, eliminate the retirement earnings test for all beneficiaries under NRA.

Under this provision, all beneficiaries under NRA would be exempt, including retired workers, aged spouses, aged widow(er)s, young spouses with a child in care, surviving spouses with a child in care, and children. Because beneficiaries at or above NRA are already exempt from the retirement earnings test under current law, this provision would completely eliminate the retirement earnings test for all beneficiaries.

We estimate that enactment of this provision alone would reduce the long-range OASDI actuarial deficit by 0.01 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2090) by 0.12 percent of payroll.

10) Eliminate federal income taxation of OASDI benefits that is credited to the OASI and DI Trust Funds for 2054 and later, phased in from 2045 to 2053.

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 the benefits. If combined "income" exceeds $34,000, up to 85 percent of the benefits may be taxable. The income tax revenue for taxing up to 50 percent of Social Security benefits goes 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, goes 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 this provision, the $25,000/$32,000 thresholds would increase from 2045 to 2053, and taxation of OASDI benefits that is credited to the OASI and DI Trust Funds would be completely eliminated starting in 2054. The 2045 to 2053 thresholds for single and joint filers would be as follows:

- 2045: $32,500/$65,000
- 2046: $40,000/$80,000
- 2047: $47,500/$95,000
- 2048: $55,000/$110000
- 2049: $62,500/$125,000
- 2050: $70,000/$140,000
- 2051: $77,500/$155,000
- 2052: $85,000/$170,000
- 2053: $92,500/$185,000.

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 (2090) by 0.96 percent of payroll. Note that the HI Trust Fund would be held harmless relative to current law, with respect to taxation of benefit revenues.

11) Provide an option to split the 8-percent delayed retirement credit (DRC) to offer a lump sum benefit at initial entitlement equivalent to 2 of the 8 percent DRC earned, and a 6 percent DRC on subsequent monthly benefits, effective for workers attaining age 62 in 2023 and later.

Those attaining age 62 in 2023 or later have the option to split the current-law 8 percent DRC into two parts, a credit and a lump sum. The credit equals 6 percent for each year (0.5 percent for each month) that eligible benefits are not taken within three years after reaching NRA. The lump sum is equal to the present value at the time of selecting the option of the additional future monthly benefits the worker is foregoing by taking the 6 percent rather than the full 8 percent DRC. Widows are held harmless from the lump sum decision, meaning that the full 8 percent will apply for widow benefits, even when the deceased worker had elected to take the lump sum option.

We estimate that the change in the long-range OASDI annual balance and the change in the annual deficit for the 75th projection year (2090) from enactment of this provision alone would be negligible: that is, between -0.005 and 0.005 percent of taxable payroll.

> *12) Beginning in January 2023, provide an addition to monthly benefits for all beneficiaries who have been eligible for at least 20 years. The additional amount is calculated based on 5 percent of the PIA for a hypothetical worker with earnings equal to the national average wage index each year.*

Beginning in January 2023, augment the monthly benefit amount (not the PIA) for those of qualifying age and eligibility duration with an MAGI below $25,000 if single and below $50,000 if married. Use the Medicare IRMAA definition of MAGI (AGI plus tax-exempt interest income). For this provision, these thresholds are indexed for years after 2023 by the increase in the C-CPI-U. The full additional amount is applicable for those born in 1957 and later, once 24 years elapse from initial eligibility. The basic additional amount is calculated as 5 percent of the PIA of for a hypothetical worker with earnings equal to the AWI each year. For those born prior to 1957, the full additional amount is multiplied by the number of years they have been affected by the C-CPI-U, divided by 24.

Beneficiaries will receive 20 percent of their additional amount in their 20th year after initial benefit eligibility, 40 percent in their 21st year after initial eligibility, …, and 100 percent of their additional amount in their 24th and later years after initial benefit eligibility.

Retired and disabled worker beneficiaries, dually entitled spouse beneficiaries, and all survivor beneficiaries receive their addition as described above. Spousal beneficiaries (aged or with a child in care) and child beneficiaries of a living retired or disabled worker receive 50 percent of the additional amount described above. Other beneficiary types (such as parents of deceased workers) will receive the percentage of the flat benefit that is equal to the percentage of the insured worker's PIA that they receive.

The AWI used is for the second year prior to the beneficiary's initial eligibility year, with applicable COLAs applied up to the age when the addition is received. The additional amount is added to the monthly benefit after reductions for early claiming or increases for delayed claiming have been applied.

We estimate that enactment of this provision alone would *increase* the long-range OASDI actuarial deficit by 0.07 percent of taxable payroll and would *increase* the annual deficit for the 75th projection year (2090) by 0.07 percent of payroll.

13) Beginning in January 2023, for new and current disabled widow(er) beneficiaries, change the requirement that disability must occur no later than 7 years after the worker's death, or after surviving spouse with child-in-care benefits were last payable, to no later than 10 years.

We estimate that the change in the long-range OASDI annual balance and the change in the annual deficit for the 75th projection year (2090) from enactment of this provision alone would be negligible: that is, between -0.005 and 0.005 percent of taxable payroll.

14) Beginning in January 2023, for new and current disabled surviving spouse beneficiaries, eliminate the requirement to be age 50 or older for receipt of benefits.

Under current law, widow(er)s must attain age 50 in order to qualify for benefits as widow(er)s on the basis of being disabled. This provision would remove the age-50 requirement.

We estimate that the change in the long-range OASDI annual balance and the change in the annual deficit for the 75th projection year (2090) from enactment of this provision alone would be negligible: that is, between -0.005 and 0.005 percent of taxable payroll.

15) Beginning in January 2023, for new and current beneficiaries, waive the two-year duration of divorce requirement for divorced spouse benefit eligibility in cases where the worker (former spouse) remarries someone other than the claimant before the two-year period has elapsed.

We estimate that the change in the long-range OASDI annual balance and the change in the annual deficit for the 75th projection year (2090) from enactment of this provision alone would be negligible: that is, between -0.005 and 0.005 percent of taxable payroll.

<u>Detailed Financial Results for the Provisions of the Proposal</u>

Summary Results by Provision

Table A provides estimates of the effects on the OASDI long-range actuarial balance for each of the fifteen provisions of the proposal separately and on a combined basis. The table also includes estimates of the effect of each provision 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, 2090. 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 fifteen provisions that affect benefit levels for beneficiaries retiring at age 65 in future years at five 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 $118,500 for 2016). **Table B3** provides additional important information on characteristics of retired workers represented by these illustrations.

Table B1 compares the initial scheduled benefit levels, assuming retirement at age 65 under the provisions of the proposal, to both scheduled and payable current-law benefit levels. Benefit amounts scheduled under the proposal are generally lower than those scheduled in current law, because the three provisions included in the table that decrease benefits for most workers (NRA increase, COLA decrease, mini-PIA) generally outweigh the other two provisions included (change the PIA formula, increase the minimum benefit). Note that two of the hypothetical worker examples provided have higher benefits than scheduled under current law because of the minimum benefit provision. The final two columns of this table show the level of scheduled benefits under the proposal as a percentage of current-law scheduled and 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 at age 65. Table B2 shows that projected scheduled benefits under the provisions of the proposal decrease in relation to current-law scheduled benefits between ages 65 and 75 for most earners. The benefit addition increases proposal benefits for ages 85 and 95 above the level scheduled in current-law for several hypothetical lower-earner examples, and diminishes the decrease relative to current-law scheduled benefits for other earners.

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 and low 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.

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 OASDI Trust Funds 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 OASDI trust fund ratio is projected to rise by the end of the period, 2091. As mentioned earlier, however, the relatively low trust fund ratios projected around 2045 provide only a small contingency reserve for solvency. Unforeseen economic conditions or other events affecting benefits and revenue might require additional measures around that time.

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.

The annual balance (non-interest income minus program cost) under the proposal is slightly worse (more negative) than under current law from 2019 through 2021. For 2022 and later, the proposal improves the annual balance. The improvement in the annual balance increases to 3.7 percent of payroll for 2053, drops to 3.3 for 2054 (due to the full elimination of OASDI taxation of benefits starting in that year), and thereafter increases steadily to 4.5 percent of payroll for 2090. Under the proposal, the annual deficit generally worsens from 1.1 percent of payroll for 2016 to 2.1 percent of payroll for 2028, and then improves until the annual balance turns positive for 2045. The annual balance increases to 0.5 percent of payroll for 2053, drops to 0.2 percent of payroll for 2054, and then stays relatively stable through the end of the long-range period, ultimately reaching 0.2 percent of payroll for 2090. Under current law, the projected annual deficit for 2090 is 4.3 percent of payroll.

The actuarial balance for the OASDI program over the 75-year projection period is improved by 2.67 percent of taxable payroll, from an actuarial deficit of 2.66 percent of payroll under current law to a positive actuarial balance of 0.02 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 theoretical combined OASI and DI Trust Funds, assuming enactment of the fifteen Social Security provisions of the proposal. These trust fund reserve amounts are expressed in present value dollars discounted to January 1, 2016. The table indicates that the provisions include no new specified transfers of general revenue to the trust funds. 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 fifteen Social Security provisions of the proposal. Table **1b.n** provides the estimated nominal dollar effect of enactment of the proposal on annual budget balances for years 2016 through 2026. 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.

We understand that the elimination of taxation of Social Security benefits under provision 10 is intended to hold the Medicare HI Trust Fund harmless. The tables provided here for effects on the budget do not reflect any change based on revenue provided to HI from taxing OASDI benefits.

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 expect the net effect of the proposal on unified budget cash flow (column 3) to be negative in years 2019 through 2021, and then positive in years 2022 and later, with the decrease in program cost more than offsetting income decreases.

Column 4 of Table 1b indicates that the effect of implementing the proposal is a reduction of the federal debt held by the public, reaching about $11.9 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 2016 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 2016 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 fifteen 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).

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, 2016.

For the 75-year (long-range) period as a whole, the current-law unfunded obligation of $11.4 trillion is replaced by a positive trust fund reserve of $0.6 trillion in present value assuming enactment of the proposal. This change of $11.9 trillion results from:

- A $2.0 trillion net *decrease* in revenue (column 2), primarily from eliminating OASDI taxation of benefits in 2054 and later, *minus*
- A $13.9 trillion net *decrease* in cost (column 3), primarily from increasing the NRA, reducing (and, for some, eliminating) the COLA, using a "mini-PIA" calculation, and modifying the PIA bend points and factors.

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

Sincerely,

Stephen C. Goss

Stephen C. Goss, ASA, MAAA
Chief Actuary

Enclosures

Table A—Estimated Long-Range OASDI Financial Effects of H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

Provision	Estimated Change in Long-Range OASDI Actuarial Balance [1] (as a percent of payroll)	Estimated Change in Annual Balance for 75th year [2] (as a percent of payroll)
1) For retired worker and disabled worker beneficiaries becoming initially eligible in January 2023 or later, phase in a new benefit formula (from 2023 to 2032). Replace the existing two primary insurance amount (PIA) bend points with three new bend points as follows: • 25% AWI/12 from 2 years prior to initial eligibility • 100% AWI/12 from 2 years prior to initial eligibility • 125% AWI/12 from 2 years prior to initial eligibility The new PIA factors are 95%, 27.5%, 5% and 2%. During the phase in, those becoming newly eligible for benefits will receive an increasing portion of their benefits based on the new formula, reaching 100% of the new formula in 2032	0.85	1.53
2) Use an annualized "mini-PIA" formula beginning with retired and disabled worker beneficiaries becoming newly eligible in 2023, phased in over 10 years. For each year of earnings (indexed as under current law in a monthly equivalent form), compute a single year's PIA For retired workers, sum these individual PIAs for the 35 highest years of indexed earnings and divide that total amount by 35 to get the PIA under this provision. For disabled workers, the number of highest mini-PIA years would equal the number of current-law benefit computation years. Phase-in over ten years, meaning that in 2023, 90 percent of the benefit would be based on the old PIA formula and 10 percent on the new mini-PIA formula, shifting by 10 percentage points each year until 100 percent is based on the new mini-PIA formula for those becoming newly eligible in 2032 and later	0.34	0.59
3) Replace the current-law WEP with a new calculation for most OASI and DI benefits based on covered and non-covered earnings, phased in for beneficiaries becoming newly eligible in 2023 to through 2032. For this new approach, compute a PIA based on all past earnings (covered and non-covered), and multiply by the "non-covered earnings ratio." This ratio is equal to the current-law concept of the average indexed monthly earnings computed without non-covered earnings divided by a modified average indexed monthly earnings that includes both covered and non-covered earnings in our records	0.03	0.05

Table A—Estimated Long-Range OASDI Financial Effects of H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

Provision	Estimated Change in Long-Range OASDI Actuarial Balance [1] (as a percent of payroll)	Estimated Change in Annual Balance for 75th year [2] (as a percent of payroll)
4) After the normal retirement age (NRA) reaches 67 for those attaining age 62 in 2022, increase the NRA by 3 months per year starting for attaining age 62 in 2023 until it reaches 69 for those attaining age 62 in 2030. Increase the age up to which delayed retirement credits may be earned from 70 to 72 on the same schedule. Increase the widow(er) NRA in the same manner. The earliest eligibility age (EEA) for worker and widow(er)'s benefit is unchanged	0.84	1.33
5) For single/head-of-household/married-filing-separate taxpayers with modified adjusted gross income (MAGI) below $85,000 and for joint filers with MAGI below $170,000 for the prior tax year, use the chain-weighted version of the Consumer Price Index for All Urban Consumers (C-CPI-U) to calculate the cost-of-living adjustment (COLA), beginning with the December 2018 COLA. For those beneficiaries whose MAGI is above the $85,000/$170,000 for the prior tax year, provide no COLA. Index the eligibility income threshold amounts to the CPI-U after December 2018	1.25	2.31
6) For spouses and children of retired and disabled workers becoming newly eligible beginning in 2023 and phased in for 2023 through 2032, limit their auxiliary benefit to one-half of the PIA for a hypothetical worker with earnings equal to the national average wage index (AWI) each year	0.07	0.11
7) Beginning in January 2019, require full time school enrollment as a condition of eligibility for child benefits at age 15 up to 18	0.01	0.01
8) Provide a new minimum benefit for workers with more than 10 years of covered earnings above a specified level, phased in for retired and disabled workers becoming newly eligible in 2023 through 2032. Set the minimum PIA at zero percent of AWI for those with 10 or fewer years of work (YOW) to 15 percent of AWI of those with 15 YOWs, increasing linearly so that it reaches 19 percent for 19 YOWs. Then the minimum PIA would jump up to 25 percent of AWI for those with 20 YOWs, increasing linearly so that it equals 35 percent of AWI for those with 35 or more YOWs. A YOW is equal to earnings at or above $10,875 in 2017 (reflecting a full-time worker earning the federal minimum wage), adjusted thereafter for average wage growth. Scale the YOW requirements for disabled workers, based on years of non-disability. Use the AWI for two years prior to the year of initial eligibility in the minimum PIA calculation with COLA increase after the year of initial eligibility	-0.23	-0.41

Table A—Estimated Long-Range OASDI Financial Effects of H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

Provision	Estimated Change in Long-Range OASDI Actuarial Balance [1] (as a percent of payroll)	Estimated Change in Annual Balance for 75th year [2] (as a percent of payroll)
9) Beginning in January 2019, eliminate the retirement earnings test for all beneficiaries under normal retirement age, including retired workers, aged spouses, aged widow(er)s, young spouses with a child in care, young surviving spouses with a child in care, and children......	0.01	0.12
10) Eliminate federal income taxation of OASDI benefits that is credited to the OASI and DI Trust Funds for 2054 and later. Phase out OASDI taxation of benefits by increasing relevant "income" thresholds from 2045 through 2053 as follows, for single/joint tax filers: • 2045 = $32,500/$65,000 • 2046 = 40,000/80,000 • 2047 = 47,500/95,000 • 2048 = 55,000/110000 • 2049 = 62,500/125,000 • 2050 = 70,000/140,000 • 2051 = 77,500/155,000 • 2052 = 85,000/170,000 • 2053 = 92,500/185,000 Taxation of benefits revenues for the Hospital Insurance (HI) Trust Fund would be maintained at the same level as if the current-law computation applied	-0.40	-0.96
11) Provide an option to split the 8-percent delayed retirement credit (DRC) to offer a lump sum benefit at initial entitlement equal to 2 percent of the 8 percent DRC earned, and a 6 percent DRC on subsequent monthly benefits, effective for workers attaining age 62 in 2023 and later. Widows are held harmless from the lump-sum decision...	[3]	[4]

Table A—Estimated Long-Range OASDI Financial Effects of H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

Provision	Estimated Change in Long-Range OASDI Actuarial Balance [1] (as a percent of payroll)	Estimated Change in Annual Balance for 75th year [2] (as a percent of payroll)
12) Beginning in January 2023, provide an addition to monthly benefits for all beneficiaries who have been eligible for at least 20 years, with the following specifications: • Augment benefits (not the PIA) for those of qualifying age and eligibility duration with a MAGI below $25,000 if single and $50,000 if married. MAGI is set to equal the IRMAA definition (AGI plus tax-exempt interest income). Index these thresholds after 2023 by the increase in the C-CPI-U. • The full additional amount is applicable for those born 1957 and later, once 24 years elapse from initial eligibility. The basic additional amount is calculated as 5 percent of the PIA for a hypothetical worker with earnings equal to the AWI each year. • For those born prior to 1957, the full additional amount is multiplied by the number of years they have been affected by the C-CPI-U, divided by 24. • Beneficiaries will receive 20 percent of their additional amount in their 20th year after initial eligibility, 40 percent in their 21st year after initial eligibility,…, and 100 percent of their additional amount in their 24th and later years after benefit eligibility. • Retired and disabled worker beneficiaries, dually entitled spouse beneficiaries, and all survivor beneficiaries received their addition as described above. Spousal beneficiaries (aged or with child in care) and child beneficiaries of a living retired or disabled worker receive 50 percent of the additional amount described above. Other beneficiary types (such as parents of deceased workers) will receive the percentage of the flat benefit that equals the percentage of the insured worker's PIA that they receive. • The AWI used is for the second year prior to the beneficiary's initial eligibility year, with applicable COLAs applied up to the age when the addition is received. • The additional amount is added to the monthly benefit after reductions for early claiming or increases for delayed claiming have been applied	-0.07	-0.07
13) Beginning in January 2023, for new and current disabled widow(er) beneficiaries, change the requirement that disability must occur no later than 7 years after the worker's death or after surviving spouse with child-in-care benefits were last payable, to no later than 10 years	[3]	[4]

Table A—Estimated Long-Range OASDI Financial Effects of H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

Provision	Estimated Change in Long-Range OASDI Actuarial Balance [1] (as a percent of payroll)	Estimated Change in Annual Balance for 75th year [2] (as a percent of payroll)
14) Beginning in January 2023, for new and current disabled surviving spouse beneficiaries, eliminate the requirement to be age 50 or older for receipt of benefits	[3]	[4]
15) Beginning in January 2023, for new and current beneficiaries, waive the two-year duration of divorce requirement for divorced spouse benefit eligibility, in cases where the worker (former spouse) remarries someone other than the claimant before the two-year period has elapsed	[3]	[4]
Total for all provisions, including interaction	**2.67**	**4.53**

[1]Under current law, the estimated long-range OASDI actuarial balance is -2.66 percent of taxable payroll.
[2]Under current law, the estimated 75th year annual balance is -4.35 percent of taxable payroll.
[3]Estimated change in actuarial balance that is negligible; that is, between -0.005 and 0.005 percent of taxable payroll.
[4]Estimated change in 75th year annual balance that is negligible; that is, between -0.005 and 0.005 percent of taxable payroll.

Notes: All estimates are based on the intermediate assumptions of the 2016 OASDI Trustees Report.
Estimates of individual provisions appear on a stand-alone basis relative to current law, unless otherwise stated.

Social Security Administration
Office of the Chief Actuary
December 8, 2016

Table B1. Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65
H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

Year Attain Age 65	Present Law Scheduled Monthly Benefits[3] (Wage-Indexed 2015 Dollars)	Present Law Scheduled Monthly Benefits[3] (CPI-Indexed 2015 Dollars)	Scheduled Benefit Level Percent Change at age 65: Increase NRA[4]	Reduced COLA[5]	Bend Points PIA Formula Factors[6]	*Incremental* Mini PIA[7]	Minimum Benefit[8]	Total	Proposal Scheduled Benefit Percent of Present Law: Scheduled	Payable
			(Percent change)						(Percents)	
Very-Low-AIME ($12,280 for 2016[1]) 30-Year Scaled Earner (8.9% of Retirees[2])										
2016	718	718	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	660	812	-9.1	-0.9	7.0	-7.0	21.5	8.9	109	109
2050	661	1,036	-13.5	-0.9	14.1	-13.2	43.7	22.1	122	153
2080	665	1,469	-13.5	-0.9	14.1	-13.2	43.7	22.1	122	162
Very-Low-AIME ($12,280 for 2016[1]) 20-Year Scaled Earner (5.2% of Retirees[2])										
2016	718	718	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	660	812	-9.1	-0.9	7.0	-16.5	1.0	-18.7	81	81
2050	661	1,036	-13.5	-0.9	14.1	-31.0	15.8	-21.8	78	98
2080	665	1,469	-13.5	-0.9	14.1	-31.0	15.8	-21.8	78	104
Very-Low-AIME ($12,280 for 2016[1]) 14-Year Scaled Earner (4.2% of Retirees[2])										
2016	718	718	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	660	812	-9.1	-0.9	7.0	-22.8	0.0	-25.6	74	74
2050	661	1,036	-13.5	-0.9	14.1	-42.9	0.0	-44.1	56	70
2080	665	1,469	-13.5	-0.9	14.1	-42.9	0.0	-44.1	56	74
Low-AIME ($22,105 for 2016[1]) 44-Year Scaled Earner (16.9% of Retirees[2])										
2016	940	940	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	863	1,062	-9.1	-0.9	3.7	0.0	11.9	4.5	105	105
2050	865	1,356	-13.5	-0.9	7.4	0.0	19.5	10.1	110	138
2080	869	1,921	-13.5	-0.9	7.5	0.0	19.5	10.1	110	147
Low-AIME ($22,105 for 2016[1]) 30-Year Scaled Earner (4.4% of Retirees[2])										
2016	940	940	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	863	1,062	-9.1	-0.9	3.7	-4.4	8.6	-3.0	97	97
2050	865	1,356	-13.5	-0.9	7.4	-8.5	18.1	-0.4	100	125
2080	869	1,921	-13.5	-0.9	7.5	-8.5	18.1	-0.4	100	133
Low-AIME ($22,105 for 2016[1]) 20-Year Scaled Earner (2.0% of Retirees[2])										
2016	940	940	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	863	1,062	-9.1	-0.9	3.7	-12.8	0.7	-18.0	82	82
2050	865	1,356	-13.5	-0.9	7.4	-24.7	13.3	-21.4	79	99
2080	869	1,921	-13.5	-0.9	7.5	-24.7	13.3	-21.3	79	105
Medium-AIME ($49,121 for 2016[1]) 44-Year Scaled Earner (29.2% of Retirees[2])										
2016	1,548	1,548	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	1,423	1,750	-9.1	-0.9	-0.6	-1.0	0.0	-11.4	89	89
2050	1,425	2,234	-13.5	-0.9	-1.2	-2.0	0.0	-16.9	83	104
2080	1,433	3,166	-13.5	-0.9	-1.2	-2.0	0.0	-16.9	83	111
Medium-AIME ($49,121 for 2016[1]) 30-Year Scaled Earner (3.2% of Retirees[2])										
2016	1,548	1,548	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	1,423	1,750	-9.1	-0.9	-0.6	-7.5	0.0	-17.2	83	83
2050	1,425	2,234	-13.5	-0.9	-1.2	-15.1	0.0	-28.1	72	90
2080	1,433	3,166	-13.5	-0.9	-1.2	-15.1	0.0	-28.0	72	96
High-AIME ($78,594 for 2016[1]) 44-Year Scaled Earner (19.8% of Retirees[2])										
2016	2,053	2,053	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	1,885	2,319	-9.1	-0.9	-11.1	0.0	0.0	-19.9	80	80
2050	1,888	2,960	-13.5	-0.9	-22.2	0.0	0.0	-33.2	67	84
2080	1,899	4,195	-13.5	-0.9	-22.2	0.0	0.0	-33.2	67	89
Maximum-AIME ($118,500 for 2016[1]) 43-Year Steady Earner (6.3% of Retirees[2])										
2016	2,492	2,492	0.0	0.0	0.0	0.0	0.0	0.0	100	100
2030	2,308	2,839	-9.1	-0.9	-17.0	0.0	0.0	-25.2	75	75
2050	2,309	3,622	-13.5	-0.9	-34.0	0.0	0.0	-43.3	57	71
2080	2,317	5,119	-13.5	-0.9	-33.8	0.0	0.0	-43.2	57	76

[1] Average of highest 35 years of earnings wage indexed to 2016.
[2] Projected percent of new retired worker awards in 2050 closest to AIME levels and years of work.
[3] After the trust fund reserves deplete under present law continuing taxes are expected to be enough to pay about three fourths of scheduled benefits.
[4] After NRA reaches 67 in 2022, increase 3 months per year until NRA reaches 69 for those attaining 62 in 2030.
[5] Starting Dec 2018, prior to benefit receipt, compute the COLA using the chain-weighted C-CPI-U, producing 0.3% lower annual COLAs on average.
[6] Starting in 2023, set BP1 equal to 25% of AWI/12, BP2 equal to AWI/12, BP3 equal to 125% AWI/12 (2 year lag), and change the PIA factors to 95%/27.5%/5%/2%. Phase in the new BP and PIA factors years of initial eligibility 2023-2032.
[7] Incremental change due to the mini-PIA approach. Phase in the new benefit formula for those newly eligible in years 2023-2032.
[8] Provide a minimum PIA such that a worker with 35/20/19/15/10 years of work would have a PIA of at least 35%/25%/19%/15%/0% of AWI/12. A year of work is equal to $10,875 in 2017, indexed for average wage growth. This provision would take full effect for all worker beneficiaries in 2032 and later, phasing in between 2023 and 2032. The Minimum Benefit Percent change is calculated by applying this provision after after all other provisions.

Note: These tables do not reflect the reduced taxation of OASDI benefits that would go to the Hospital Insurance (HI) Trust Fund assuming enactment of this Bill.
All estimates based on the intermediate assumptions of the 2016 Trustees Report.

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Table B2. Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65
H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

Year Attain Age 65	Proposal Scheduled Benefit as Percent of Present Law Scheduled			
	Age 65	Age 75	Age 85[3]	Age 95[3]
	(Percent)			
	Very-Low-AIME ($12,280 for 2016[1]) 30-Year Scaled Earner (8.9% of Retirees[2])			
2016	100.0	97.7	101.8	100.5
2030	108.9	105.8	112.0	111.0
2050	122.1	118.6	124.3	123.0
2080	122.1	118.6	124.4	123.0
	Very-Low-AIME ($12,280 for 2016[1]) 20-Year Scaled Earner (5.2% of Retirees[2])			
2016	100.0	97.7	101.8	100.5
2030	81.3	79.0	85.9	85.7
2050	78.2	75.9	82.9	82.8
2080	78.2	76.0	82.9	82.8
	Very-Low-AIME ($12,280 for 2016[1]) 14-Year Scaled Earner (4.2% of Retirees[2])			
2016	100.0	97.7	101.8	100.5
2030	74.4	72.2	79.4	79.4
2050	55.9	54.3	61.9	62.4
2080	55.9	54.3	61.9	62.4
	Low-AIME ($22,105 for 2016[1]) 44-Year Scaled Earner (16.9% of Retirees[2])			
2016	100.0	97.7	100.2	98.6
2030	104.5	101.5	105.7	104.3
2050	110.1	106.9	110.9	109.4
2080	110.1	106.9	103.9	100.9
	Low-AIME ($22,105 for 2016[1]) 30-Year Scaled Earner (4.4% of Retirees[2])			
2016	100.0	97.7	100.2	98.6
2030	97.0	94.2	98.5	97.4
2050	99.6	96.7	101.0	99.8
2080	99.6	96.8	94.0	91.3
	Low-AIME ($22,105 for 2016[1]) 20-Year Scaled Earner (2.0% of Retirees[2])			
2016	100.0	97.7	100.2	98.6
2030	82.0	79.7	84.4	83.7
2050	78.6	76.4	81.2	80.6
2080	78.7	76.4	74.2	72.0
	Medium-AIME ($49,121 for 2016[1]) 44-Year Scaled Earner (29.2% of Retirees[2])			
2016	100.0	97.7	94.9	92.1
2030	88.6	86.1	83.6	81.2
2050	83.1	80.7	78.3	76.1
2080	83.1	80.7	78.3	76.1
	Medium-AIME ($49,121 for 2016[1]) 30-Year Scaled Earner (3.2% of Retirees[2])			
2016	100.0	97.7	94.9	92.1
2030	82.8	80.4	78.1	75.8
2050	71.9	69.9	67.9	65.9
2080	72.0	69.9	67.9	65.9
	High-AIME ($78,594 for 2016[1]) 44-Year Scaled Earner (19.8% of Retirees[2])			
2016	100.0	97.7	94.9	92.1
2030	80.1	77.8	75.5	73.4
2050	66.8	51.6	40.0	30.9
2080	66.8	51.7	40.0	30.9
	Maximum-AIME ($118,500 for 2016[1]) 43-Year Steady Earner (6.3% of Retirees[2])			
2016	100.0	81.4	63.0	48.7
2030	74.8	57.8	44.7	34.6
2050	56.7	43.8	33.9	26.2
2080	56.8	43.9	34.0	26.3

[1] Average of highest 35 years of earnings wage indexed to 2016.
[2] Projected percent of new retired worker awards in 2050 closest to AIME levels and years of work.
[3] Increase the benefit by 5% of an AWI worker for those with a MAGI below $25,000 if single and $50,000 if married beginning at age 81 and phased in over five years starting in 2023. Index the MAGI thresholds using C-CPI-U.

Note: Starting in 2018, if MAGI is less than $85,000 if single and $170,000 if married, compute the COLA using the chain-weighted C-CPI-U, producing 0.3 percentage point lower annual COLAs on average. If MAGI is above the $85,000 single/$170,000 married threshold, eliminate the COLA. Index the eligibility income threshold amounts using CPI-W.

Other Changes:
- After NRA reaches 67 in 2022, increase 3 months per year until NRA reaches 69 for those attaining 62 in 2030.
- Starting in 2023, set BP1 equal to 25% of AWI/12, BP2 equal to AWI/12, BP3 equal to 125% AWI/12 (2 year lag), and change the PIA factors to 95%/27.5%/5%/2%. Calculate the PIA using the mini-PIA approach. Phase in the new BP, PIA factors, and benefit formula for those newly eligible in years 2023-2032.
- Provide a minimum PIA such that a worker with 35/20/19/15/10 years of work would have a PIA of at least 35%/25%/19%/15%/0% of AWI/12. A year of work is equal to $10,875 in 2017, indexed for average wage growth. This provision would take full effect for all worker beneficiaries in 2032 and later, phasing in between 2023 and 2032.

Note: These tables do not reflect the reduced taxation of OASDI benefits that would go to the Hospital Insurance (HI) Trust Fund assuming enactment of this Bill.
All estimates based on the intermediate assumptions of the 2016 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 Entitled[2]	WEP[3]	Foreign Born	All Others[4]
Very-Low-AIME ($12,280 for 2016[1]):				
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 ($22,105 for 2016[1]):				
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 ($49,121 for 2016[1]):				
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 ($78,594 for 2016[1]):				
44-Year Scaled Earner (20.5% of Retirees)	0	0	6	93
Maximum-AIME ($118,500 for 2016[1]):				
Steady Earner (9.4% of Retirees)	0	0	7	93

Note 1:Table B3 displays the percentages of these newly-entitled retired workers in 2007 that are closest to each of the illustrative examples.

Note 2: Percents 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.

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.

[1] Average of highest 35 years of earnings wage indexed to 2016.

[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.

[3] Covered by pension from government employment and are subject to the windfall elimination provision (WEP).

[4] Neither foreign born, subject to WEP, or dually entitled.

Office of the Chief Actuary, Social Security Administration June 22, 2016

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio
H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

	Proposal (Expressed as a percentage of present-law taxable payroll)				Change from Present Law (Expressed as a percentage of present-law taxable payroll)		
Year	Cost Rate	Income Rate	Annual Balance	Trust Fund Ratio 1-1-year	Cost Rate	Income Rate	Annual Balance
2016	14.05	12.94	-1.10	303	0.00	0.00	0.00
2017	13.72	12.92	-0.80	293	0.00	0.00	0.00
2018	13.86	12.96	-0.90	277	0.00	0.00	0.00
2019	14.23	12.98	-1.25	257	0.24	0.01	-0.23
2020	14.27	12.99	-1.28	242	0.14	0.01	-0.13
2021	14.32	13.01	-1.31	228	0.05	0.00	-0.04
2022	14.46	13.04	-1.43	214	-0.03	0.00	0.03
2023	14.65	13.06	-1.60	199	-0.10	0.00	0.10
2024	14.83	13.09	-1.74	183	-0.19	-0.01	0.19
2025	15.00	13.10	-1.90	168	-0.29	-0.01	0.27
2026	15.09	13.11	-1.98	154	-0.38	-0.02	0.36
2027	15.16	13.12	-2.04	140	-0.49	-0.02	0.47
2028	15.20	13.13	-2.07	126	-0.61	-0.03	0.59
2029	15.18	13.13	-2.04	114	-0.79	-0.03	0.76
2030	15.12	13.14	-1.98	102	-0.98	-0.04	0.94
2031	15.02	13.14	-1.88	91	-1.20	-0.05	1.15
2032	14.89	13.14	-1.76	80	-1.43	-0.06	1.37
2033	14.76	13.13	-1.62	70	-1.65	-0.07	1.58
2034	14.61	13.13	-1.48	61	-1.85	-0.08	1.77
2035	14.44	13.12	-1.32	52	-2.05	-0.09	1.96
2036	14.31	13.12	-1.20	44	-2.24	-0.10	2.14
2037	14.18	13.11	-1.06	37	-2.42	-0.11	2.31
2038	14.02	13.11	-0.91	30	-2.59	-0.12	2.47
2039	13.86	13.10	-0.76	25	-2.75	-0.13	2.62
2040	13.70	13.09	-0.61	20	-2.89	-0.14	2.75
2041	13.55	13.08	-0.46	16	-3.02	-0.15	2.87
2042	13.40	13.08	-0.32	13	-3.14	-0.15	2.98
2043	13.25	13.07	-0.18	11	-3.25	-0.16	3.09
2044	13.11	13.06	-0.05	10	-3.36	-0.17	3.19
2045	12.99	13.02	0.03	10	-3.46	-0.21	3.25
2046	12.87	12.98	0.12	10	-3.56	-0.25	3.31
2047	12.75	12.95	0.20	12	-3.65	-0.28	3.37
2048	12.65	12.92	0.27	13	-3.74	-0.31	3.42
2049	12.55	12.89	0.34	16	-3.82	-0.34	3.48
2050	12.46	12.86	0.41	19	-3.90	-0.37	3.53
2051	12.38	12.84	0.46	23	-3.98	-0.39	3.59
2052	12.32	12.82	0.50	27	-4.05	-0.41	3.64
2053	12.27	12.80	0.53	31	-4.12	-0.43	3.69
2054	12.24	12.40	0.16	36	-4.18	-0.84	3.35
2055	12.22	12.40	0.18	38	-4.25	-0.84	3.41
2056	12.20	12.40	0.20	40	-4.31	-0.85	3.46
2057	12.19	12.40	0.21	42	-4.37	-0.85	3.52
2058	12.18	12.40	0.22	44	-4.42	-0.85	3.57
2059	12.18	12.40	0.22	47	-4.48	-0.86	3.62
2060	12.18	12.40	0.22	49	-4.52	-0.86	3.66
2061	12.19	12.40	0.21	51	-4.56	-0.86	3.70
2062	12.20	12.40	0.20	54	-4.60	-0.87	3.74
2063	12.21	12.40	0.19	56	-4.64	-0.87	3.77
2064	12.22	12.40	0.18	58	-4.68	-0.88	3.81
2065	12.24	12.40	0.16	60	-4.72	-0.88	3.84
2066	12.25	12.40	0.15	62	-4.75	-0.88	3.87
2067	12.27	12.40	0.13	64	-4.79	-0.89	3.90
2068	12.29	12.40	0.12	66	-4.83	-0.89	3.94
2069	12.30	12.40	0.10	67	-4.86	-0.89	3.97
2070	12.32	12.40	0.08	69	-4.90	-0.90	4.00
2071	12.33	12.40	0.07	70	-4.93	-0.90	4.04
2072	12.34	12.40	0.06	72	-4.97	-0.90	4.07
2073	12.34	12.40	0.06	73	-5.00	-0.90	4.10
2074	12.34	12.40	0.06	74	-5.03	-0.91	4.13
2075	12.33	12.40	0.07	76	-5.06	-0.91	4.15
2076	12.32	12.40	0.08	77	-5.09	-0.91	4.18
2077	12.30	12.40	0.10	79	-5.11	-0.91	4.20
2078	12.28	12.40	0.12	81	-5.13	-0.91	4.22
2079	12.26	12.40	0.14	83	-5.15	-0.91	4.23
2080	12.24	12.40	0.16	85	-5.16	-0.91	4.25
2081	12.22	12.40	0.18	88	-5.18	-0.91	4.27
2082	12.21	12.40	0.19	90	-5.20	-0.91	4.28
2083	12.20	12.40	0.20	93	-5.22	-0.91	4.31
2084	12.20	12.40	0.20	96	-5.24	-0.91	4.33
2085	12.19	12.40	0.21	98	-5.27	-0.92	4.36
2086	12.19	12.40	0.21	101	-5.31	-0.92	4.39
2087	12.20	12.40	0.20	104	-5.35	-0.92	4.43
2088	12.20	12.40	0.20	107	-5.38	-0.92	4.46
2089	12.21	12.40	0.19	110	-5.42	-0.92	4.50
2090	12.22	12.40	0.18	113	-5.46	-0.93	4.53
2091	12.23	12.40	0.17	115	-5.49	-0.93	4.56

Summarized Rates: OASDI

	Cost Rate	Income Rate	Actuarial Balance	Year of reserve depletion[1]
2016 - 2090	13.39%	13.41%	0.02%	N/A

Summarized Rates: OASDI

Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
-3.11%	-0.44%	2.67%

Based on Intermediate Assumptions of the 2016 Trustees Report.
[1]Under present law the year of combined Trust Fund reserve depletion is 2034.

Office of the Chief Actuary
Social Security Administration
December 8, 2016

Table 1a - General Fund Transfers, OASDI Trust Fund Reserves, and Theoretical OASDI Reserves
H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

	Proposal General Fund Transfers			*Present Value in Billions as of 1-1-2016*			
		Present Value in Billions as of 1-1- 2016		Proposal Total OASDI Trust Fund		Theoretical Social Security[1] with Borrowing Authority — Net OASDI Trust Fund Reserves at End of Year	
Calendar Year	Percentage of Payroll	Annual Amounts	Accumulated as of End of Year	Reserves at End of Year	Gross Domestic Product	Without General Fund Transfers	With Plan General Fund Transfers
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2016	0.0	0.0	0.0	2,741.0	18,368.5	2,741.0	2,741.0
2017	0.0	0.0	0.0	2,687.5	18,780.3	2,687.5	2,687.5
2018	0.0	0.0	0.0	2,625.9	19,199.4	2,625.9	2,625.9
2019	0.0	0.0	0.0	2,538.4	19,590.0	2,554.4	2,554.4
2020	0.0	0.0	0.0	2,446.3	19,948.3	2,471.7	2,471.7
2021	0.0	0.0	0.0	2,350.2	20,275.2	2,378.9	2,378.9
2022	0.0	0.0	0.0	2,244.0	20,546.2	2,270.6	2,270.6
2023	0.0	0.0	0.0	2,123.5	20,765.2	2,142.4	2,142.4
2024	0.0	0.0	0.0	1,990.4	20,965.2	1,994.9	1,994.9
2025	0.0	0.0	0.0	1,844.0	21,141.0	1,827.2	1,827.2
2026	0.0	0.0	0.0	1,690.7	21,283.5	1,645.4	1,645.4
2027	0.0	0.0	0.0	1,532.5	21,355.9	1,450.6	1,450.6
2028	0.0	0.0	0.0	1,372.1	21,346.6	1,244.3	1,244.3
2029	0.0	0.0	0.0	1,214.9	21,259.6	1,028.4	1,028.4
2030	0.0	0.0	0.0	1,063.8	21,099.1	804.8	804.8
2031	0.0	0.0	0.0	922.0	20,898.2	575.3	575.3
2032	0.0	0.0	0.0	790.9	20,696.5	341.0	341.0
2033	0.0	0.0	0.0	671.1	20,500.4	103.7	103.7
2034	0.0	0.0	0.0	563.2	20,306.0	-134.7	-134.7
2035	0.0	0.0	0.0	467.9	20,116.5	-372.8	-372.8
2036	0.0	0.0	0.0	382.7	19,925.6	-612.3	-612.3
2037	0.0	0.0	0.0	308.0	19,743.3	-852.1	-852.1
2038	0.0	0.0	0.0	244.5	19,571.8	-1,090.4	-1,090.4
2039	0.0	0.0	0.0	192.1	19,401.7	-1,326.1	-1,326.1
2040	0.0	0.0	0.0	150.8	19,234.9	-1,558.1	-1,558.1
2041	0.0	0.0	0.0	120.2	19,071.7	-1,786.1	-1,786.1
2042	0.0	0.0	0.0	99.4	18,908.8	-2,010.0	-2,010.0
2043	0.0	0.0	0.0	88.3	18,751.3	-2,229.8	-2,229.8
2044	0.0	0.0	0.0	86.1	18,594.5	-2,445.4	-2,445.4
2045	0.0	0.0	0.0	89.1	18,429.9	-2,657.8	-2,657.8
2046	0.0	0.0	0.0	97.7	18,269.6	-2,866.7	-2,866.7
2047	0.0	0.0	0.0	111.5	18,107.9	-3,072.2	-3,072.2
2048	0.0	0.0	0.0	129.9	17,944.3	-3,274.5	-3,274.5
2049	0.0	0.0	0.0	152.6	17,781.3	-3,473.9	-3,473.9
2050	0.0	0.0	0.0	179.2	17,618.6	-3,670.6	-3,670.6
2051	0.0	0.0	0.0	208.9	17,454.0	-3,865.4	-3,865.4
2052	0.0	0.0	0.0	240.9	17,289.8	-4,059.0	-4,059.0
2053	0.0	0.0	0.0	274.2	17,125.7	-4,251.9	-4,251.9
2054	0.0	0.0	0.0	284.7	16,960.9	-4,444.5	-4,444.5
2055	0.0	0.0	0.0	296.5	16,796.5	-4,637.2	-4,637.2
2056	0.0	0.0	0.0	309.2	16,631.9	-4,830.5	-4,830.5
2057	0.0	0.0	0.0	322.3	16,467.6	-5,024.3	-5,024.3
2058	0.0	0.0	0.0	335.7	16,304.7	-5,218.8	-5,218.8
2059	0.0	0.0	0.0	349.1	16,142.6	-5,413.9	-5,413.9
2060	0.0	0.0	0.0	362.1	15,981.3	-5,609.6	-5,609.6
2061	0.0	0.0	0.0	374.5	15,821.7	-5,805.8	-5,805.8
2062	0.0	0.0	0.0	386.2	15,664.2	-6,002.5	-6,002.5
2063	0.0	0.0	0.0	397.2	15,508.7	-6,199.6	-6,199.6
2064	0.0	0.0	0.0	407.5	15,355.7	-6,397.1	-6,397.1
2065	0.0	0.0	0.0	417.0	15,204.5	-6,595.0	-6,595.0
2066	0.0	0.0	0.0	425.5	15,055.3	-6,793.3	-6,793.3
2067	0.0	0.0	0.0	433.0	14,907.9	-6,992.1	-6,992.1
2068	0.0	0.0	0.0	439.6	14,762.2	-7,191.4	-7,191.4
2069	0.0	0.0	0.0	445.3	14,618.0	-7,391.0	-7,391.0
2070	0.0	0.0	0.0	450.1	14,476.2	-7,591.0	-7,591.0
2071	0.0	0.0	0.0	454.2	14,336.4	-7,791.2	-7,791.2
2072	0.0	0.0	0.0	458.1	14,198.6	-7,991.1	-7,991.1
2073	0.0	0.0	0.0	461.7	14,062.2	-8,190.5	-8,190.5
2074	0.0	0.0	0.0	465.4	13,927.2	-8,389.1	-8,389.1
2075	0.0	0.0	0.0	469.4	13,793.7	-8,586.7	-8,586.7
2076	0.0	0.0	0.0	473.8	13,661.5	-8,782.6	-8,782.6
2077	0.0	0.0	0.0	479.0	13,530.3	-8,976.7	-8,976.7
2078	0.0	0.0	0.0	485.1	13,399.9	-9,168.8	-9,168.8
2079	0.0	0.0	0.0	492.1	13,271.0	-9,358.6	-9,358.6
2080	0.0	0.0	0.0	500.1	13,143.2	-9,546.2	-9,546.2
2081	0.0	0.0	0.0	508.7	13,016.0	-9,731.8	-9,731.8
2082	0.0	0.0	0.0	517.8	12,889.1	-9,915.6	-9,915.6
2083	0.0	0.0	0.0	527.2	12,762.3	-10,098.0	-10,098.0
2084	0.0	0.0	0.0	536.7	12,635.6	-10,279.3	-10,279.3
2085	0.0	0.0	0.0	546.1	12,509.3	-10,459.9	-10,459.9
2086	0.0	0.0	0.0	555.6	12,383.5	-10,639.8	-10,639.8
2087	0.0	0.0	0.0	564.8	12,258.4	-10,819.4	-10,819.4
2088	0.0	0.0	0.0	573.7	12,134.0	-10,998.8	-10,998.8
2089	0.0	0.0	0.0	582.1	12,010.4	-11,177.9	-11,177.9
2090	0.0	0.0	0.0	590.0	11,887.6	-11,356.8	-11,356.8
2091	0.0	0.0	0.0	597.4	11,765.8	-11,535.6	-11,535.6
Total 2016-2090		0.0					

Based on the Intermediate Assumptions of the 2016 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.

Office of the Chief Actuary
Social Security Administration
December 8, 2016

Table 1b - OASDI Changes & Implications for Federal Budget and Debt of Specified Plan Provision Effects on OASDI[1] (Present Value Dollars)
H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

	Billions of Present Value Dollars as of 1-1-2016						
Year	Specified General Fund Transfers (1)	Basic Changes in OASDI Cash Flow (2)	Change in Annual Unified Budget Cash Flow (3)	Change in Debt Held by Public at End of Year (4)	Change in Annual Unified Budget Balance (5)	Change in Total Federal Debt End Of Year (6)	Change in Annual On Budget Balance (7)
2016	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2017	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2019	0.0	-16.0	-16.0	16.0	-16.0	0.0	0.0
2020	0.0	-9.4	-9.4	25.4	-9.9	0.0	0.0
2021	0.0	-3.3	-3.3	28.7	-4.1	0.0	0.0
2022	0.0	2.2	2.2	26.6	1.3	0.0	0.0
2023	0.0	7.7	7.7	18.9	6.8	0.0	0.0
2024	0.0	14.4	14.4	4.5	13.7	0.0	0.0
2025	0.0	21.3	21.3	-16.8	21.1	0.0	0.0
2026	0.0	28.4	28.4	-45.2	29.1	0.0	0.0
2027	0.0	36.7	36.7	-81.9	38.5	0.0	0.0
2028	0.0	45.9	45.9	-127.8	49.5	0.0	0.0
2029	0.0	58.8	58.8	-186.5	64.8	0.0	0.0
2030	0.0	72.5	72.5	-259.0	82.0	0.0	0.0
2031	0.0	87.7	87.7	-346.7	100.9	0.0	0.0
2032	0.0	103.2	103.2	-449.9	120.8	0.0	0.0
2033	0.0	117.5	117.5	-567.3	140.4	0.0	0.0
2034	0.0	130.6	130.6	-697.9	159.5	0.0	0.0
2035	0.0	142.9	142.9	-840.8	178.4	0.0	0.0
2036	0.0	154.3	154.3	-995.1	197.1	0.0	0.0
2037	0.0	165.0	165.0	-1,160.1	215.8	0.0	0.0
2038	0.0	174.8	174.8	-1,334.9	233.9	0.0	0.0
2039	0.0	183.3	183.3	-1,518.2	251.3	0.0	0.0
2040	0.0	190.8	190.8	-1,709.0	268.2	0.0	0.0
2041	0.0	197.3	197.3	-1,906.3	284.4	0.0	0.0
2042	0.0	203.2	203.2	-2,109.4	300.3	0.0	0.0
2043	0.0	208.6	208.6	-2,318.0	316.1	0.0	0.0
2044	0.0	213.5	213.5	-2,531.5	331.6	0.0	0.0
2045	0.0	215.4	215.4	-2,747.0	344.5	0.0	0.0
2046	0.0	217.5	217.5	-2,964.4	357.5	0.0	0.0
2047	0.0	219.2	219.2	-3,183.6	370.3	0.0	0.0
2048	0.0	220.8	220.8	-3,404.4	383.0	0.0	0.0
2049	0.0	222.1	222.1	-3,626.5	395.7	0.0	0.0
2050	0.0	223.3	223.3	-3,849.9	408.2	0.0	0.0
2051	0.0	224.5	224.5	-4,074.4	420.7	0.0	0.0
2052	0.0	225.5	225.5	-4,299.9	433.1	0.0	0.0
2053	0.0	226.2	226.2	-4,526.1	445.4	0.0	0.0
2054	0.0	203.1	203.1	-4,729.2	433.8	0.0	0.0
2055	0.0	204.6	204.6	-4,933.7	445.6	0.0	0.0
2056	0.0	205.9	205.9	-5,139.6	457.4	0.0	0.0
2057	0.0	207.0	207.0	-5,346.7	469.0	0.0	0.0
2058	0.0	207.9	207.9	-5,554.5	480.4	0.0	0.0
2059	0.0	208.4	208.4	-5,763.0	491.5	0.0	0.0
2060	0.0	208.7	208.7	-5,971.7	502.4	0.0	0.0
2061	0.0	208.6	208.6	-6,180.3	513.0	0.0	0.0
2062	0.0	208.4	208.4	-6,388.7	523.4	0.0	0.0
2063	0.0	208.1	208.1	-6,596.8	533.7	0.0	0.0
2064	0.0	207.8	207.8	-6,804.6	544.0	0.0	0.0
2065	0.0	207.4	207.4	-7,011.9	554.2	0.0	0.0
2066	0.0	206.8	206.8	-7,218.7	564.2	0.0	0.0
2067	0.0	206.3	206.3	-7,425.1	574.2	0.0	0.0
2068	0.0	205.9	205.9	-7,630.9	584.3	0.0	0.0
2069	0.0	205.4	205.4	-7,836.3	594.3	0.0	0.0
2070	0.0	204.8	204.8	-8,041.1	604.2	0.0	0.0
2071	0.0	204.3	204.3	-8,245.4	614.1	0.0	0.0
2072	0.0	203.7	203.7	-8,449.1	623.9	0.0	0.0
2073	0.0	203.0	203.0	-8,652.2	633.7	0.0	0.0
2074	0.0	202.4	202.4	-8,854.6	643.4	0.0	0.0
2075	0.0	201.5	201.5	-9,056.0	652.8	0.0	0.0
2076	0.0	200.4	200.4	-9,256.5	662.0	0.0	0.0
2077	0.0	199.3	199.3	-9,455.8	671.0	0.0	0.0
2078	0.0	198.1	198.1	-9,653.8	680.0	0.0	0.0
2079	0.0	196.8	196.8	-9,850.7	688.9	0.0	0.0
2080	0.0	195.6	195.6	-10,046.3	697.6	0.0	0.0
2081	0.0	194.2	194.2	-10,240.4	706.2	0.0	0.0
2082	0.0	192.9	192.9	-10,433.4	714.8	0.0	0.0
2083	0.0	191.8	191.8	-10,625.2	723.5	0.0	0.0
2084	0.0	190.8	190.8	-10,816.0	732.4	0.0	0.0
2085	0.0	190.0	190.0	-11,006.0	741.2	0.0	0.0
2086	0.0	189.4	189.4	-11,195.4	750.3	0.0	0.0
2087	0.0	188.8	188.8	-11,384.2	759.4	0.0	0.0
2088	0.0	188.2	188.2	-11,572.4	768.4	0.0	0.0
2089	0.0	187.5	187.5	-11,760.0	777.3	0.0	0.0
2090	0.0	186.9	186.9	-11,946.9	786.2	0.0	0.0
Total 2016-2090	0.0	11,946.9	11,946.9				

Based on Intermediate Assumptions of the 2016 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 OASDI[1] (Nominal Dollars)
H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

	Billions of Nominal Dollars						
Year	Specified General Fund Transfers (1)	Basic Changes in OASDI Cash Flow (2)	Change in Annual Unified Budget Cash Flow (3)	Change in Debt Held by Public at End of Year (4)	Change in Annual Unified Budget Balance (5)	Change in Total Federal Debt End of Year (6)	Change in Annual On Budget Balance (7)
2016	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2017	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2019	0.0	-17.9	-17.9	18.1	-18.1	0.0	0.0
2020	0.0	-10.8	-10.8	29.7	-11.6	0.0	0.0
2021	0.0	-3.9	-3.9	34.6	-4.9	0.0	0.0
2022	0.0	2.7	2.7	32.9	1.7	0.0	0.0
2023	0.0	9.7	9.7	24.0	9.0	0.0	0.0
2024	0.0	18.8	18.8	5.4	18.5	0.0	0.0
2025	0.0	28.9	28.9	-24.1	29.5	0.0	0.0
2026	0.0	40.1	40.1	-66.2	42.1	0.0	0.0

Based on Intermediate Assumptions of the 2016 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 - Present Law and Proposal Cost, Expenditures, and Income: As Percent of Gross Domestic Product
H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

	Present Law OASDI			Proposal OASDI		
Calendar Year	Cost (1)	Expenditures (Payable) (2)	Non-Interest Income (3)	Cost (4)	Expenditures (Payable) (5)	Non-Interest Income (6)
2016	4.98	4.98	4.59	4.98	4.98	4.59
2017	4.91	4.91	4.62	4.91	4.91	4.62
2018	4.98	4.98	4.65	4.98	4.98	4.65
2019	5.05	5.05	4.68	5.13	5.13	4.68
2020	5.12	5.12	4.70	5.17	5.17	4.70
2021	5.18	5.18	4.72	5.20	5.20	4.73
2022	5.28	5.28	4.75	5.27	5.27	4.75
2023	5.39	5.39	4.77	5.35	5.35	4.77
2024	5.50	5.50	4.79	5.43	5.43	4.79
2025	5.60	5.60	4.81	5.50	5.50	4.80
2026	5.67	5.67	4.81	5.53	5.53	4.80
2027	5.73	5.73	4.81	5.55	5.55	4.80
2028	5.78	5.78	4.81	5.55	5.55	4.80
2029	5.83	5.83	4.81	5.54	5.54	4.79
2030	5.87	5.87	4.81	5.51	5.51	4.79
2031	5.91	5.91	4.80	5.47	5.47	4.79
2032	5.94	5.94	4.80	5.42	5.42	4.78
2033	5.96	5.96	4.80	5.36	5.36	4.77
2034	5.98	5.29	4.80	5.30	5.30	4.77
2035	5.98	4.79	4.79	5.24	5.24	4.76
2036	6.00	4.79	4.79	5.18	5.18	4.75
2037	6.01	4.79	4.79	5.13	5.13	4.75
2038	6.01	4.78	4.78	5.07	5.07	4.74
2039	6.00	4.78	4.78	5.01	5.01	4.73
2040	5.99	4.78	4.78	4.95	4.95	4.73
2041	5.97	4.77	4.77	4.89	4.89	4.72
2042	5.96	4.77	4.77	4.83	4.83	4.71
2043	5.94	4.77	4.77	4.77	4.77	4.71
2044	5.93	4.76	4.76	4.72	4.72	4.70
2045	5.92	4.76	4.76	4.67	4.67	4.69
2046	5.91	4.76	4.76	4.63	4.63	4.67
2047	5.90	4.76	4.76	4.59	4.59	4.66
2048	5.89	4.76	4.76	4.55	4.55	4.64
2049	5.88	4.75	4.75	4.51	4.51	4.63
2050	5.87	4.75	4.75	4.47	4.47	4.62
2051	5.87	4.75	4.75	4.44	4.44	4.61
2052	5.87	4.75	4.75	4.42	4.42	4.60
2053	5.88	4.75	4.75	4.40	4.40	4.59
2054	5.89	4.75	4.75	4.39	4.39	4.44
2055	5.90	4.74	4.74	4.38	4.38	4.44
2056	5.91	4.74	4.74	4.37	4.37	4.44
2057	5.92	4.74	4.74	4.36	4.36	4.44
2058	5.94	4.74	4.74	4.36	4.36	4.43
2059	5.95	4.74	4.74	4.35	4.35	4.43
2060	5.97	4.74	4.74	4.35	4.35	4.43
2061	5.98	4.73	4.73	4.35	4.35	4.43
2062	5.99	4.73	4.73	4.35	4.35	4.42
2063	6.01	4.73	4.73	4.35	4.35	4.42
2064	6.02	4.73	4.73	4.35	4.35	4.41
2065	6.03	4.72	4.72	4.35	4.35	4.41
2066	6.04	4.72	4.72	4.35	4.35	4.41
2067	6.06	4.72	4.72	4.36	4.36	4.40
2068	6.07	4.71	4.71	4.36	4.36	4.40
2069	6.08	4.71	4.71	4.36	4.36	4.39
2070	6.09	4.71	4.71	4.36	4.36	4.39
2071	6.10	4.70	4.70	4.36	4.36	4.39
2072	6.11	4.70	4.70	4.36	4.36	4.38
2073	6.12	4.70	4.70	4.36	4.36	4.38
2074	6.12	4.69	4.69	4.35	4.35	4.37
2075	6.13	4.69	4.69	4.34	4.34	4.37
2076	6.12	4.68	4.68	4.33	4.33	4.36
2077	6.12	4.68	4.68	4.32	4.32	4.36
2078	6.11	4.67	4.67	4.31	4.31	4.35
2079	6.11	4.67	4.67	4.30	4.30	4.35
2080	6.10	4.66	4.66	4.29	4.29	4.34
2081	6.09	4.66	4.66	4.28	4.28	4.34
2082	6.09	4.66	4.66	4.27	4.27	4.34
2083	6.09	4.65	4.65	4.26	4.26	4.33
2084	6.09	4.65	4.65	4.26	4.26	4.33
2085	6.09	4.64	4.64	4.25	4.25	4.33
2086	6.10	4.64	4.64	4.25	4.25	4.32
2087	6.11	4.64	4.64	4.25	4.25	4.32
2088	6.12	4.64	4.64	4.25	4.25	4.32
2089	6.13	4.63	4.63	4.25	4.25	4.31
2090	6.14	4.63	4.63	4.25	4.25	4.31

Based on Intermediate Assumptions of the 2016 Trustees Report.

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Table 1d - Change in Long-Range Trust Fund Reserves / Unfunded Obligation
H.R. 6489, the "Social Security Reform Act of 2016," Introduced by Chairman Sam Johnson

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

Year	Present Law OASDI Trust Fund Reserves / Unfunded Obligation Through End of Year (1)	Changes in OASDI Income (2)	Changes in OASDI Cost (3)	Basic Changes in OASDI Cash Flow (4) = (2)-(3)	Total Change Through End of Year (5) = cumulative sum(4)	Proposal OASDI Trust Fund Reserves / Unfunded Obligation Through End of Year (6) = (1)+(5)
2016	2,741.0	0.0	0.0	0.0	0.0	2,741.0
2017	2,687.5	0.0	0.0	0.0	0.0	2,687.5
2018	2,625.9	0.0	0.0	0.0	0.0	2,625.9
2019	2,554.4	0.9	16.9	-16.0	-16.0	2,538.4
2020	2,471.7	0.6	10.0	-9.4	-25.4	2,446.3
2021	2,378.9	0.3	3.6	-3.3	-28.7	2,350.2
2022	2,270.6	0.1	-2.1	2.2	-26.6	2,244.0
2023	2,142.4	-0.2	-7.9	7.7	-18.9	2,123.5
2024	1,994.9	-0.5	-14.9	14.4	-4.5	1,990.4
2025	1,827.2	-0.9	-22.2	21.3	16.8	1,844.0
2026	1,645.4	-1.3	-29.7	28.4	45.2	1,690.7
2027	1,450.6	-1.7	-38.3	36.7	81.9	1,532.5
2028	1,244.3	-2.1	-47.9	45.9	127.8	1,372.1
2029	1,028.4	-2.7	-61.4	58.8	186.5	1,214.9
2030	804.8	-3.3	-75.8	72.5	259.0	1,063.8
2031	575.3	-4.0	-91.7	87.7	346.7	922.0
2032	341.0	-4.7	-107.9	103.2	449.9	790.9
2033	103.7	-5.4	-122.9	117.5	567.3	671.1
2034	-134.7	-6.1	-136.7	130.6	697.9	563.2
2035	-372.8	-6.8	-149.6	142.9	840.8	467.9
2036	-612.3	-7.5	-161.8	154.3	995.1	382.7
2037	-852.1	-8.2	-173.2	165.0	1,160.1	308.0
2038	-1,090.4	-8.8	-183.6	174.8	1,334.9	244.5
2039	-1,326.1	-9.3	-192.6	183.3	1,518.2	192.1
2040	-1,558.1	-9.8	-200.6	190.8	1,709.0	150.8
2041	-1,786.1	-10.2	-207.5	197.3	1,906.3	120.2
2042	-2,010.0	-10.6	-213.8	203.2	2,109.4	99.4
2043	-2,229.8	-11.0	-219.6	208.6	2,318.0	88.3
2044	-2,445.4	-11.3	-224.8	213.5	2,531.5	86.1
2045	-2,657.8	-14.1	-229.5	215.4	2,747.0	89.1
2046	-2,866.7	-16.3	-233.8	217.5	2,964.4	97.7
2047	-3,072.2	-18.4	-237.6	219.2	3,183.6	111.5
2048	-3,274.5	-20.3	-241.1	220.8	3,404.4	129.9
2049	-3,473.9	-22.0	-244.1	222.1	3,626.5	152.6
2050	-3,670.6	-23.4	-246.8	223.3	3,849.9	179.2
2051	-3,865.4	-24.7	-249.2	224.5	4,074.4	208.9
2052	-4,059.0	-25.8	-251.3	225.5	4,299.9	240.9
2053	-4,251.9	-26.8	-253.0	226.2	4,526.1	274.2
2054	-4,444.5	-51.4	-254.4	203.1	4,729.2	284.7
2055	-4,637.2	-51.0	-255.6	204.6	4,933.7	296.5
2056	-4,830.5	-50.7	-256.6	205.9	5,139.6	309.2
2057	-5,024.3	-50.4	-257.4	207.0	5,346.7	322.3
2058	-5,218.8	-50.1	-257.9	207.9	5,554.5	335.7
2059	-5,413.9	-49.8	-258.2	208.4	5,763.0	349.1
2060	-5,609.6	-49.5	-258.2	208.7	5,971.7	362.1
2061	-5,805.8	-49.1	-257.7	208.6	6,180.3	374.5
2062	-6,002.5	-48.8	-257.2	208.4	6,388.7	386.2
2063	-6,199.6	-48.5	-256.6	208.1	6,596.8	397.2
2064	-6,397.1	-48.2	-255.9	207.8	6,804.6	407.5
2065	-6,595.0	-47.8	-255.2	207.4	7,011.9	417.0
2066	-6,793.3	-47.5	-254.3	206.8	7,218.7	425.5
2067	-6,992.1	-47.2	-253.5	206.3	7,425.1	433.0
2068	-7,191.4	-46.9	-252.8	205.9	7,630.9	439.6
2069	-7,391.0	-46.6	-251.9	205.4	7,836.3	445.3
2070	-7,591.0	-46.2	-251.1	204.8	8,041.1	450.1
2071	-7,791.2	-45.9	-250.2	204.3	8,245.4	454.2
2072	-7,991.1	-45.6	-249.3	203.7	8,449.1	458.1
2073	-8,190.5	-45.2	-248.2	203.0	8,652.2	461.7
2074	-8,389.1	-44.8	-247.2	202.4	8,854.6	465.4
2075	-8,586.7	-44.5	-246.0	201.5	9,056.0	469.4
2076	-8,782.6	-44.1	-244.5	200.4	9,256.5	473.8
2077	-8,976.7	-43.7	-243.0	199.3	9,455.8	479.0
2078	-9,168.8	-43.2	-241.3	198.1	9,653.8	485.1
2079	-9,358.6	-42.8	-239.6	196.8	9,850.7	492.1
2080	-9,546.2	-42.3	-237.9	195.6	10,046.3	500.1
2081	-9,731.8	-41.9	-236.0	194.2	10,240.4	508.7
2082	-9,915.6	-41.4	-234.3	192.9	10,433.4	517.8
2083	-10,098.0	-41.0	-232.8	191.8	10,625.2	527.2
2084	-10,279.3	-40.6	-231.4	190.8	10,816.0	536.7
2085	-10,459.9	-40.2	-230.2	190.0	11,006.0	546.1
2086	-10,639.8	-39.9	-229.3	189.4	11,195.4	555.6
2087	-10,819.4	-39.5	-228.3	188.8	11,384.2	564.8
2088	-10,998.8	-39.2	-227.4	188.2	11,572.4	573.7
2089	-11,177.9	-38.9	-226.4	187.5	11,760.0	582.1
2090	-11,356.8	-38.6	-225.4	186.9	11,946.9	590.0
Total 2016-2090		-1989.1	-13936.0	11946.9		

Based on Intermediate Assumptions of the 2016 Trustees Report.

Ultimate Real Trust Fund Yield of 2.7%.

Office of the Chief Actuary
Social Security Administration
December 8, 2016

[Public Submissions for the Record follow:]

National Breast Cancer Coalition
The Breast Cancer Deadline 2020
1010 Vermont Ave. NW, Suite 900, Washington, DC 20005 | P 202.296.7477 | F 202.265.6854

Testimony of
Fran Visco, J.D.
President
National Breast Cancer Coalition

House Ways and Means Subcommittee on Social Security

March 21, 2019

Thank you, Chairman Larsen, Ranking Member Reed, and Members of the Ways and Means Subcommittee on Social Security, for the opportunity to submit testimony to the record of the hearing this Committee held on March 13, 2019: "Protecting and Improving Social Security".

My name is Fran Visco, and I am a breast cancer survivor, a wife and mother, a lawyer, and President of the National Breast Cancer Coalition (NBCC). My testimony represents the hundreds of member organizations and thousands of individual members of the Coalition. NBCC is a grassroots organization dedicated to ending breast cancer through action and advocacy. The Coalition's main goals are to increase federal funding for breast cancer research and collaborate with the scientific community to implement new models of research; improve access to high quality health care and breast cancer clinical trials for all women; and expand the influence of breast cancer advocates wherever breast cancer decisions are made.

We are testifying in support of legislation soon to be re-introduced by Representatives Peter King and Kathy Castor, the Metastatic Breast Cancer Access to Care Act, which would waive all waiting periods for Medicare and Social Security Disability Insurance (SSDI) eligibility for all individuals with metastatic breast cancer.

As you know, individuals with disabilities other than End Stage Renal Disease (ESRD) and Amyotrophic Lateral Sclerosis (ALS) must have received Social Security Disability Insurance (SSDI) benefits for 24 months before gaining eligibility for Medicare. This would include individuals diagnosed with metastatic breast cancer.

Metastatic breast cancer is cancer that has spread from the breast to the bones, lungs or other distant parts of the body. 90% of breast cancer deaths are as a result of metastatic disease. There are treatments, some of which have extended survival for women and men with metastatic breast cancer. There is no cure.

In 2019, about 268,600 women will be diagnosed with invasive breast cancer, as will 2,670 men, in the United States. About 62,930 new cases of carcinoma in situ (CIS) will be diagnosed. This year, about 41,760 women and 500 men will die of breast cancer. There are approximately 150,000 women in the United States today living with metastatic breast cancer (MBC). There are no statistics that reveal the age of women and men with MBC. While statistics are also not collected for metastatic recurrences which comprise the larger portion of MBC cases, it is estimated that 20-30% of women with breast cancer recur with metastatic disease. 6-10% are diagnosed initially with metastatic breast cancer. The average age of breast cancer diagnosis is 62, the average age of death from breast cancer is 68. The average life expectancy of an individual with metastatic breast cancer is 3 years.

There is a federal precedent for eliminating waiting periods for certain individuals who qualify for SSDI and Medicare benefits based on their disability. In 2001, Congress passed legislation to add ALS as a qualifying condition for automatic Medicare coverage, eliminating the 24 month waiting period. In the last Congress, there was broad bipartisan support for legislation which would build on that precedent by eliminating the five month waiting period for individuals who qualify for SSDI based on their disability.

While we must do more to encourage new treatments and cures, increase access to medical care, reduce health disparities and raise awareness for patients with MBC, eliminating onerous waiting periods for Social Security Disability Insurance and Medicare is a meaningful step for women and their families. Since the average life expectancy for women diagnosed with MBC is only three years, we must eliminate barriers that could delay critical treatment.

NBCC fully supports legislation that would waive the waiting periods for individuals diagnosed with metastatic breast cancer who meet the criteria for SSDI and Medicare. We want to prevent stories like that of Ellen Kay Duffy, a 47-year old nurse from Cedar Falls, Iowa diagnosed with metastatic breast cancer, who died waiting for her Medicare benefits to begin. Individuals like Ellen should not have to wait to have access to the healthcare they have already qualified to receive. There are too many others with similar stories.

Thank you for allowing us to submit testimony for the record. We ask that you support the Metastatic Breast Cancer Access to Care Act when it comes before this Committee. In the meantime, we look forward to continuing to partner with you to ensure all individuals have access to the quality care they deserve.

Association of Mature American Citizens

Better for You. Better for America.

March 25, 2019

From: Association of Mature American Citizens
312 Teague Trail
Lady Lake, FL 32159
Telephone: 1-888-262-2006
Email: GovAffairs@amac.us

To: Social Security Subcommittee
Committee on Ways & Means
U.S. House of Representatives

Re: Statement for the Record: "Protecting and Improving Social Security."

The Association of Mature American Citizens (AMAC) is pleased to submit the following discussion to the Social Security Subcommittee of the House Committee on Ways and Means as it considers legislation to address the long-term solvency of the Social Security OASDI Trust Funds. Now with more than 1.7 million members and growing, AMAC was formed to offer an alternative perspective on how to best solve the problems seniors face today by advancing solutions. At AMAC, we believe strongly in upholding the traditional American values of faith, family, and freedom.

The promise to guarantee Social Security for all Americans must be kept and AMAC's objective is to achieve what is the best path to long-term OASDI Trust Fund solvency without raising taxes.

The 2018 Report of the Social Security Trustees[1] headlines a very strong admonition for Congress to act and address – sooner rather than later – the looming insolvency of the OASDI Trust Fund:

> "If substantial actions are deferred for several years, the changes necessary to maintain Social Security solvency would be concentrated on fewer years and fewer generations. Much larger changes would be necessary if action is deferred until the combined trust fund reserves become depleted in 2034. For example, maintaining 75-year solvency with changes that begin in 2034 would require: (1) an increase in revenues by an amount equivalent to a permanent 3.87 percentage point payroll tax rate increase to 16.27 percent starting in 2034, (2) a reduction in scheduled benefits by an amount equivalent to a permanent 23 percent reduction in all benefits starting in 2034, or (3) some combination of these approaches would have to be adopted.
> …
> "Under the intermediate assumptions, DI Trust Fund asset reserves are projected to become depleted in 2032, at which time continuing income to the DI Trust Fund would be sufficient to pay 96 percent of DI scheduled benefits. The OASI Trust Fund reserves are projected to become depleted in 2034, at which time OASI income would be sufficient to pay 77 percent of OASI scheduled benefits.

[1] The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, page 5.

> "The Trustees also project that annual cost for the OASDI program will exceed total income (including interest) throughout the projection period under the intermediate assumptions. The projected hypothetical combined OASI and DI Trust Fund asset reserves become depleted and unable to pay scheduled benefits in full on a timely basis in 2034. At the time of depletion of these combined reserves, continuing income to the combined trust funds would be sufficient to pay 79 percent of scheduled benefits. Lawmakers have a broad continuum of policy options that would close or reduce Social Security's long-term financing shortfall."

In response to the Trustees admonition and the desire for this Congress to resolve the longer solvency challenges of the OASDI Trust Funds, AMAC offers recommendations that are a combination of selected components of the legislation introduced by Chairman John Larson this year and in the last Congress by former Chairman Sam Johnson of Texas. In addition, some of AMAC's added recommendations are drawn from those of the Social Security Advisory Board.

We recommend these ***five*** primary objectives:

1) Increase benefits for those with lower earnings
2) Achieve solvency and ensure benefits continue
3) Treat beneficiaries more equally
4) Provide a means for all earners to have more income available at retirement
5) Ensure the long-term solvency of the SSDI trust fund by enabling the states to improve its fiscal management and accountability.

We believe the following recommendations can succeed in achieving these objectives.

I. INCREASE BENEFITS FOR THOSE WITH LOWER EARNINGS

Implement a tiered approach to the calculation of Cost-of-Living Adjustments (COLA) based on an individual's or household's Adjusted Gross Income (AGI) to facilitate a needed redistribution of benefits to ensure that those who need the COLA increase the most, get it.

We suggest the following:

a) For Beneficiaries with a household income (AGI) level less than $20,000, set an annual COLA range of 3% minimum – 4% maximum.
b) For Beneficiaries with a household income (AGI) between $20,000 and $50,000 set an annual COLA range of 1.5% minimum – 3% maximum.
c) For Beneficiaries with a household income (AGI) of $50,001 or higher, set an annual COLA range of 1% minimum – 2% maximum.

Note: In 2009, 2010, and 2016, there was no Social Security COLA. In 2017 it was only 0.3%, but then increased to 2.0% in 2018, and 2.8% in 2019, while expenses most common to seniors (e.g., food, insurance, medical treatment, prescription drugs, etc.) continued to rise sharply. ***Under this recommendation, all retirees will be guaranteed an increase each year by shifting the basis to Adjusted Gross Income (AGI) so that the COLA benefit fits the individual situation, rather than a macro-economic version of the CPI.***

Eliminate the Double Tax on Seniors Social Security and Railroad Retirement Benefits.

AMAC strongly urges that tier I Railroad Retirement benefits and Social Security benefits excluded from individual's gross income to eliminate this form of "double taxation."

Every year, millions of seniors become eligible for either Social Security or tier I Railroad Retirement benefits. After working for decades, being involuntarily taxed on their hard-earned income to fund these federal programs, some seniors are forced to pay income tax on the benefits they withdraw from the federal government. Taxing the very benefits created from obligatory FICA taxation is nonsense and diminishes the retirement benefits seniors have been promised. Seniors deserve to reap the full benefits of their career-long contributions to the Social Security Administration and the Railroad Retirement Plan.

Alternatively, and at the very least, reduce "Double Taxation" of benefits by raising the adjusted gross income exclusion threshold for paying income tax on benefits from current $25,000 for an individual and $32,000 joint to $50,000 and $100,000 respectively.

<u>Enhance Survivors Benefits</u>.

AMAC recommends that beginning for newly eligible retired workers and spouses in 2022, all claimants who are married should receive a specified joint-and-survivor annuity benefit in which surviving spouses would receive 75 percent of the decedents' benefits, in addition to their own. Initial benefits should be actuarially adjusted to keep the expected value of benefits equivalent to what would otherwise be current law.[2]

II. <u>ACHIEVE SOCIAL SECURITY OAS TRUST FUND SOLVENCY</u>

AMAC recommends the following amendments:

<u>Implement a setback in the retirement age for new retirees</u>

- Early retirement age should remain at 62. The percentage of benefit reduction for early retirement would remain as determined by the Social Security Administration (e.g., a range of 20% to 30%, depending on normal retirement age).

- After the normal retirement age (NRA) reaches 67 for those attaining age 62 in 2022, increase the NRA by 2 months per year until the NRA reaches age 69 for those attaining age 62 in 2034. Thereafter, increase the NRA in a manner that will keep the ratio of (life expectancy at NRA)/(NRA-20) constant. <u>This is likely to result in an expected increase in the NRA of 1 month every 2 years</u>. Additionally, increase the age up to which delayed retirement credits may be earned, on the same schedule (3 years past the NRA).[3]

<u>Change the level of payments for future retirees starting in 2022</u>

- **Adjust the Primary Insurance Amount** (PIA), keeping lower income earners benefits the same and lowering benefits for higher income earners. AMAC supports Section 104 of the proposed Social Security 2100 Act to increase the PIA formula factor to 93% and to increase the special minimum PIA to 125% of the national poverty level for newly eligible, disabled, or dying workers with 30 years or more of coverage.
- **Progressive price indexing (50th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2023**
    - Maintain current-law benefits for earners at the 50th percentile and below.
    - Create a new bend point at the 50th percentile of the AIME distribution of newly retired workers.

[2] Bipartisan Policy Center. "Commission on Retirement Security and Personal Savings." Recommendation #7. June 2016

[3] Office of the Chief Actuary letter to Rep. Ribble, H.R. 5747 sponsor. 7/13/2016.

- Reduce the 32 and 15 percent factors above the 50th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index.[4]
- **For the OASI and DI computation of the PIA**, gradually reduce the maximum number of drop-out years from 5 to 0, phased in over the years 2018-2026.[5]

Review the Revenue Solvency Based on Efficacy of Improvement and New Projections Before Any Increases in FICA Rates

In lieu of immediate enactment of FICA increases, AMAC believes that the implementation of key structural reforms enacted by the Congress provides the opportunity to evaluate their efficacy and sufficiency for long term solvency of the OASDI. In this regard, AMAC recommends the following alternative legislative approach if additional increases in the FICA rates are needed:

- After a period of 5 years, the Social Security Commissioner shall determine if an increase in the OASDI payroll tax rate is necessary and shall advise the Trustees and the President.
- Thereupon, the Trustees shall review the recommendations of the Commissioner of Social Security and advise the President.
- The President may then request the Congress to increase the OASDI payroll tax, based upon the recommendations of the Trustees and the Commissioner.
- Congress may approve the President's request through expedited consideration of a Joint Resolution.

III. TREAT BENEFICIARIES MORE EQUALLY BY RECALCULATING WEP/GPO PROVISIONS, REDUCING INCOME TAXES, AND ELIMINATING THE "PENALTY" ON WORK

Recalculate WEP

Replace current-law Windfall Elimination Provision (WEP) with a new calculation for most benefits based on covered and non-covered earnings, phased in for beneficiaries becoming newly eligible in 2023 through 2032. NOTE: AMAC will support complete repeal of WEP & Government Pension Offset (GPO) provisions as part of a compromise that promises long-term solvency.

Eliminate the "penalty" on work known as the Retirement Earnings Test (RET) -- (Rep. Sam Johnson)

Under the RET, 2018 Social Security was expected to have withheld $1 in retirement benefits for every $2 of earnings in excess of the $17,040 and $1 in benefits for every $3 of earnings in excess of $45,360 for those with earnings while collecting benefits before their full retirement age. Most older participants seem to believe that the earnings test is a significant tax on their earnings (over and above the personal income tax), and they consider the reduction in their market wage when deciding on the number of hours they desire to work.

This recommendation would eliminate the RET and help both (i) individual beneficiaries below Normal Retirement Age (NRA) and subject to a benefit reduction for early retirement (such as retired workers, aged spouses, and aged widow(er)s) and (ii) individuals such as child beneficiaries and spouses and surviving spouses who have a child in care. Disabled workers, disabled widow(er)s, and disabled adult child beneficiaries are already exempt from the retirement earnings test under current law.

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[4] 2016 Social Security Trustees Report as developed by the Social Security Advisory Board. Level of Monthly Benefits Summary, item B1.4.
[5] 2016 Trustees Report intermediate assumptions. Level of Monthly Benefits Summary, item B4.3

A recent January 2019 Brookings Study commented in supporting elimination of the RET:

> "Remember that Social Security was established in the middle of the Great Depression when unemployment rates were very high, and thus a policy encouraging older workers to leave the labor force then seemed appropriate for the federal government. Today, however, providing incentives for older workers to leave the labor force should no longer be a national objective. Instead, national policy should be focused on removing policies that provide disincentives for older persons to remain in the labor force. *[underscore added]* Our first proposal to eliminate the earnings test for Social Security benefits would remove one such disincentive and thus encourage individuals between the ERA of 62 and the FRA to remain in the labor force. ...
>
> "The case for eliminating the earnings test is largely based on its complicated nature, the confusion that surrounds it, and the ensuing distortions in labor market decisions. The participants that face the earnings test likely misperceive it and think that they face a major disincentive to work beyond the relatively low threshold earnings levels. If they perceive that the earnings test is a 50 percent tax on additional earnings, work and retirement decisions will be influenced. Even though their perception is not accurate, it probably does discourage work to a meaningful extent. In summary, the earnings test raises no revenue for the Social Security system in a present value sense, and it probably worsens the long-run fiscal position of the U.S. government. It reduces work by those between age 62 and 67. A "tax" that raises no long-run revenue and likely discourages labor supply seems like a good candidate for elimination. *[underscore added]* As such, we propose the immediate elimination of the earnings test."[6]

IV. PROVIDE A MEANS FOR ALL EARNERS TO HAVE MORE INCOME AVAILABLE AT RETIREMENT

AMAC recommends the creation of a new "Social Security Plus" ("SSP") account to be a supplemental voluntary companion benefit retirement account to provide access to additional funds for all workers at age 62.

According to a February 2018 Pew Research report:[7]

> "[M]ore than one-third of all private sector workers lack access to a workplace plan. Moreover, 31 percent of those whose employers offer retirement benefits do not participate. Some may decide they are unable to afford regular contributions, while others may be ineligible because of plan rules, such as requirements for a minimum number of hours worked each year."

In sum, tens of millions of Americans have no retirement plan, and the average person receiving retirement benefits collects slightly more than $16,000 per year. Accordingly, the *majority* of retired workers rely on Social Security as the largest portion of their retirement income. For many Americans, Social Security is their *only* source of income. There is an urgent need to help workers save more for retirement.

AMAC recommends the creation of a simple voluntary employer-offered companion retirement savings option that can be easily and inexpensively implemented by small employers – a "Social Security Plus Account (SSP)." SSP

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[6] Brookings Institution, "Enhancing Work Incentives for Older Workers: Social Security and Medicare Proposals to Reduce Work Disincentives," pp. 4, 8-9,

[7] Pew Foundation. "Workplace Retirement Plans Tend to Sharpen Focus on Financial Futures Survey." February 2018

employee accounts would be managed for the employee(s) by established financial services firms and accountable to an industry board functioning under the auspices of the Social Security Administration.

Recommended core elements of the SSP:

- It must be offered by the employer to all employees (full and part-time), but participation will be a voluntary account for both employee and employer.
- When new employees are hired, they must opt out of the SSP account or they will be enrolled at $10/week.
- The individual is the owner of this supplemental retirement savings account.
- Tax deduction for employer contributions, after-tax contribution for employee with income sheltered.
- Employee not taxed on receiving funds (similar to a Roth IRA).
- Paid via payroll deduction, employer provides the contribution slot to employee.
- The weekly minimum is $5, the weekly maximum is $100 or $5,200/year.
- Employer may elect to contribute to employees' SSP accounts in any amount or percentage of pay they choose up to $50 per week ($2,600 per year).
- The employer may start or stop their contribution at any time.
- Portability, if wage earner changes jobs, new employer must add payroll access for the SSP.
- Funds only available to wage earner at age 62 unless death or total disability occurs.
- Wage earner may elect to start receiving payouts at any age between 62 and 70 ½.
- Death benefit is the accrued value of account at time of death.
- SSP account benefits, including earnings, are tax-free.
- Contribution should be indexed for inflation at 4%.

Investment options for the Social Security Plus retirement savings account

- 80% of the funds must invested in stock funds and bonds and the other 20% may be invested in any approved conservative investment (i.e. S & P 500 index).
- A volunteer board of investment experts creates lists of approved investments to assure quality.
- Investment choices would be similar to those used in 401k plans and IRAs and the cost of administration would be borne by the same providers who offer those plans, not the federal government.

Example: Turn $25/week into $1 million at age 65	
Assumptions:	*A 23-year-old employee contributing **only $25/week** in the first year and an employer contributing $15/week, with both adding 4% annually thereafter, in a mix of 80% stock funds and 20% conservative investments, would accumulate **over $1 million by age 65.***
	* Historical average returns

Age	Total Individual Contribution	Employer Contribution	Total
23	$1,300	$780	$2,080
30	$15,411	$9,247	$24,657
40	$61,285	$36,771	$98,056
50	$170,012	$102,007	$272,019
60	$415,088	$249,053	$664,141
62	$491,891	$295,135	$787,026
65	$632,016	$379,209	$1,011,225

V. **ENSURE THE LONG-TERM SOLVENCY OF THE SOCIAL SECURITY DISABILITY INSURANCE TRUST FUND BY (i) REFINING THE ELIGIBILITY CRITERIA AND CLASSIFICATION, AND (ii) DELEGATING ITS MANAGEMENT AND ACCOUNTABILITY TO THE STATES**

AMAC does not support the proposal to consolidate both the OASDI Trust Funds into a single trust fund. Specifically, the separate funds have inherently separate purposes and the drawdowns by individual beneficiaries are to address very different needs, e.g., retirement income vs. disability income. In this connection, the cause of the beneficiary needs and demands and the administrative decisions are very different. ("One is an apple and the other is an orange.") Moreover, to combine the funds into a single fund inherently reduces the ability to improve the management and fiscal accountability of the respective funds.

In particular, the SSDI Trust Fund has had a history of significant fiscal management and administrative performance issues. Indeed, the "Social Security Benefit Protection and Opportunity Enhancement Act of 2015"[8] addressed the imminent shortfall in the Social Security Disability Insurance Trust Fund by reallocating an additional 0.57% for a total of 2.37% of the combined 12.4% payroll tax for 2016, 2017, and 2018, thereby "kicking the can down the road" through 2022, but also shortening the solvency period of the OASI Trust Fund. Nonetheless this Act:

- Provided short-term relief until comprehensive reforms in the DI, as well as the OASI programs, can be either enacted by a future Congress.
- Avoided increases in payroll taxes for an interim period.
- Resolved the issue for that Congress and Administration.
- Was recommended in the former President's Budget.

The 2017 Social Security Trustees Report[9] underscored a continuing concern, however.

> "Under the intermediate assumptions, the temporary reallocation of the payroll tax rate from OASI to DI causes DI total income to exceed cost in 2018 and reserves to increase to a level of 62 percent of annual cost at the beginning of 2019. Thereafter, cost exceeds total income throughout the short-range projection period and trust fund reserves steadily decline.
>
> "Because the reserves of the DI Trust Fund at the beginning of 2018 were less than the estimated annual cost for 2018 and are projected to remain below annual cost throughout the short-range period under the intermediate assumptions, the DI Trust Fund fails the Trustees' test of short-range financial adequacy."

The 2018 Trustees[10] report continues to underscore this situation:

> "Under the intermediate assumptions, DI Trust Fund asset reserves are projected to become depleted in 2032, at which time continuing income to the DI Trust Fund would be sufficient to pay 96 percent of DI scheduled benefits. …
>
> "…Lawmakers have a broad continuum of policy options that would close or reduce Social Security's long-term financing shortfall."

[8] Title VIII of the Bipartisan Budget Act of 2015
[9] 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, p. 47.
[10] The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, page 5.

AMAC Recommends:

1. **Refine the Eligibility Criteria and Classifications, and**
2. **Delegate administration to the states with allocations under a formula block grant program managed by the Commissioner of Social Security.**

Eligibility Criteria and Classifications for Benefits

The current DI's disability determination structure is inherently deficient and costly because its criteria to guide determinations effectively only permit an "all or nothing" federal ALJ determination, because they lack categories for the partial or temporarily disabled. AMAC recommends the following amendments:

- Require that the applicant be either a U.S. citizen or lawful permanent resident of the United States under the Immigration and Nationality Act.
- Require the applicant to have worked not less than 20 quarters during the preceding 24-quarter period, which ends in the quarter in which the disability occurred, in addition to the certain exception allowed under current law.
- Improve the definitions for classification of disability determinations and benefit duration –
  i. Temporary but total disability, providing a one-year limit for benefits, but upon application and evidentiary proof, may be extended twice for six months, up to a maximum of one additional year; or
  ii. Partial disability and permanent disability, providing eligibility up to two-years provided applicant enters vocational training or education within one year and for which benefits may be extended twice for 12 months, up to a maximum of 24 additional months; or
  iii. Total and permanent disability for which disability benefits may continue through the beneficiary's natural life.

- Require the Commissioner of Social Security to update the medical vocational guidelines used in disability determinations, including full consideration of new employment opportunities made possible by advances in treatment, rehabilitation, and technology and full consideration of the effect of prevalent languages on education.
- Exclude certain medical sources of evidence in determining eligibility for disability insurance benefits, specifically:
  i. An individual or entity convicted of a felony under the Social Security Act;
  ii. Any individual or entity excluded from participation in any Federal health care program;
  iii. Any person with respect to whom a civil money penalty or assessment has been imposed for the submission of false evidence in pursuit of Social Security benefits.
- Prohibit receipt of disability insurance benefits in a month for which unemployment compensation is received – no "double dipping."

Delegate Management and Administration to the States and Establishment of a Federal Disability Insurance Trust Benefits State Formula Block Grant Program Managed by the Commissioner of Social Security.

The Public Policy Reasons

- Worker disability is inherently a function of employment within the state of residence of the employee.
- Creates an inherent and effective cap on DI funding levels with disbursements totally subject to the availability of funds allocated from FICA receipts – a direct function of economic performance and employment levels and payroll tax receipts.
- A state is the level of government inherently and geographically closer to the applicants and beneficiaries than the federal government can be, and therefore has a better ability to achieve critically needed reductions in the costs of waste, fraud, and abuse.

- Current lengthy disability hearing backlogs and delayed processing times by federal ALJ's, which have increased, should be greatly reduced by shifting such reviews to the state of any applicant's residence. GAO's December 2017 report on the SSDI claims processing notes:

  > "Hearings-level backlogs and processing times have increased between fiscal years 2010 and 2016. The number of annual requests for a hearing before an ALJ peaked in fiscal 2011, and declined in each subsequent year, through fiscal year 2016. Despite this decline, SSA has not been able to keep pace with the demand, in terms of dispositions— the number of cases the agency decided or dismissed—in each of those years after 2010.By the end of fiscal year 2016, SSA reported there were about 1.1 million pending cases. Average processing times for hearings-level decisions also increased during this same time period, from 426 days to 543 days."[11]

- Federal oversight is retained, while direct federal operations costs are reduced.
- Enables enough time for the states prepare to administer the program in their respective states with staffing organizations already established for existing welfare, unemployment, and other such programs.
- States have substantial experience in administering existing federal beneficiary programs, such as the Federal-State Unemployment Insurance and Medicaid, and certainly have the capacity to:
  - Determine the eligibility of their respective citizens and residents for DI benefits in accordance with federal requirements and guidelines.
  - Apply the medical guidelines for disability class determinations and improve quality of disability reviews.
  - Determine the amount to which an applicant should receive.
  - Determine the duration of the benefit to be conferred.
  - Review and determine whether the amount and duration of benefits should continue.
  - Conduct timely return-to-work evaluations for those not adjudged to total and permanent.
  - Adjudicate appeals by applicants, negating the need for federal ALJs.
- State accountability can be clearly established in requiring the Governor to submit annually and concurrently to the Commissioner of Social Security and to the Inspector General of the Social Security Administration a detailed report on the administration of the Federal Disability Insurance Trust Fund, and recommendations for needed improvements and changes to improve the efficacy the DI program.

Legislative Components

AMAC suggests the following components to legislative language to put the Governors and their state agencies in the "responsible driver's seat."

- Congressional Findings: (1) worker disability is inherently a function of employment within the state of residence of the employee, and (2) the states are the appropriate level of government best equipped to administer the Federal Disability Insurance Trust Fund program.
- The Governor or the agency of the state is authorized to administer disability insurance programs within the state shall have authority for the administration of Federal Disability Insurance Benefits under the Social Security Act:
  - Determine the eligibility of their respective citizens and residents for Federal Disability Insurance Benefits consistent in accordance with Section 223 of Social Security Act, as amended;
  - Apply the medical guidelines for disability class determinations and improve quality of disability reviews, utilizing state-of-the-industry standards in the review of their citizen and resident applications;
  - Determine the amount to which an applicant should receive;
  - Determine the duration of the benefit to be conferred;

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[11] GAO-18-37 Report: SOCIAL SECURITY DISABILITY Additional Measures and Evaluation Needed to Enhance Accuracy and Consistency of Hearings Decisions, p. 10 (Dec. 7, 2017)

  - Review and determine whether the amount and duration of benefits should continue;
  - Conduct timely return-to-work evaluations for those not adjudged to total and permanent;
  - Adjudicate appeals by applicants.
- For each calendar year, the Commissioner of Social Security is directed to establish a formula for determining the appropriate allocation to each state of funds deposited in the Federal Disability Insurance Trust Fund each year by the Managing Trustee. These funds are to be transferred to the respective state for direct administration and expenditure by the state. Each state may determine the portion of the funds to be used for administration and is authorized to make such allocations and expenditures from the annual funds transferred to such state from the Federal Disability Trust Fund by the Managing Trustee.
- The Commissioner of Social Security and the Inspector General of the Social Security Administration shall jointly issue guidelines on the content and data report to be reported.
- The Governor of each state is required to submit concurrently to the Commissioner of Social Security and to the Inspector General of the Social Security Administration a detailed annual report on the administration of the Federal Disability Insurance Trust Fund, and recommendations for needed improvements and changes to improve the efficacy of the Social Security Act, as amended relative to the Federal Disability Insurance Trust Fund and its requirements.

Conclusion

AMAC appreciates the opportunity to submit recommendations to the Subcommittee to improve both the efficacy and fiscal health and accountability of the OASDI Trust Funds.

We would be pleased to discuss in depth any of the foregoing recommendations and other questions the Members of the Subcommittee may have.

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:
Benefit Enhancements
Wednesday, March 13, 2019, 2:00 PM

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 continuing this series

Like yesterday's comments, our submission today is based on 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. Attachment One contains this discussion. Attachment Two reprises our discussion on employee-ownership, with the following paragraphs pulled forward.

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.

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.

Using the NBRT/SVAT is superior to using payroll taxes because there is no ceiling to the amount collected to fund current retirees. Increasing the rate to expand the portion of the tax allows the expansion of benefits to current retirees. Employee-Ownership provides an incentive to workers to innovate and thus produce higher earnings for the firm, which will also expand retirement benefits.

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: Tax Reform Provisions, March 12, 2019

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 also be a floor, 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.

Attachment Two: Employee-Ownership, March 7, 2019

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...

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.

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.

The dignity of ownership is much more than the dignity of work as a cog in a machine.

Contact Sheet

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Subcommittee on Social Security
Hearing on Protecting and Improving Social Security:
Benefit Enhancements
Wednesday, March 13, 2019, 2:00 PM

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.

NATIONAL ASSOCIATION OF POLICE ORGANIZATIONS, INC.

Representing America's Finest

U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
Subcommittee on Social Security

Statement of
William J. Johnson on behalf of the
National Association of Police Organizations
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"Protecting and Preserving Social Security: Benefit Enhancements."
March 13, 2019

Chairman Larson, Ranking Member Reed and distinguished members of the Subcommittee, my name is William Johnson and I am the Executive Director of the National Association of Police Organizations (NAPO). I am submitting this statement today on behalf of NAPO, representing over 241,000 active and retired law enforcement officers throughout the United States. NAPO is a coalition of police unions and associations from across the nation, which was organized for the purpose of advancing the interests of America's law enforcement officers through legislative advocacy, political action and education.

I would like to take this opportunity to make you aware of the adverse affect the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) have on public safety officers and their families who are outside of the Social Security system because of professional need.

Since 1935, state and local government employees have been deliberately excluded by Congress from mandatory participation in Social Security for two reasons: a Constitutional concern over whether the federal government could impose a tax on state governments; and because many state and local employees were already protected by public pension plans. Today, there are about 6.5 million such employees in the state and local workforce – including 76 percent of public safety officers.

As public safety officers often retire under job related disability, many state and local governments have opted to keep their employees in adequate pre-existing pension systems. While intended to be a "leveling" response, the GPO and WEP disproportionately harm our nation's public safety officers, who due to their profession, are not covered by Social Security.

The GPO reduces public employees' Social Security spousal or survivor benefit by two-thirds of their public pension. This has a detrimental effect on a law enforcement officer's retirement. If a spouse who paid into Social Security dies, the surviving public safety officer would normally be eligible for half of the deceased's benefit. However, if the surviving law enforcement officer had not been paying into Social Security while working, the GPO requires that this amount be offset by two-thirds of the survivor's pension, eliminating most or all of the payment. If these officers had not chosen to serve their communities, they would receive the full allotment of the spouse's benefit.

In addition to the GPO, public safety employees are also adversely affected by the WEP. Although most law enforcement officers retire after a specific length of service, usually while in their early to mid fifties, many look for new opportunities. Many take jobs in Social Security covered positions in the private sector that allow them to put their skills and experience to good use. Yet, when they retire from a non-Social Security paying job and move to one that does pay into Social Security, they are penalized by WEP. Instead of receiving their rightfully earned Social Security retirement benefit, their pension heavily offsets it, thus vastly reducing the amount they receive.

The WEP causes hard-working public safety officers to lose the benefits they earned themselves, thus punishing those who selflessly serve and protect our communities. The GPO and WEP unfairly penalize officers for choosing a public service profession that mandates early retirement by taking away hard-earned, and much needed benefits.

This issue is more than a retirement issue; it is a public safety issue. Not only do the GPO and WEP impact individual public safety officers and their families, they impact the public safety profession. The GPO and WEP discourage talented people from entering or staying in the public safety profession. Individuals who worked in other careers are less likely to want to become police officers or firefighters if doing so will mean a loss of earned Social Security benefits. Additionally, non-Social Security states are finding it difficult to attract quality law enforcement officers as more people learn about the GPO and WEP.

While NAPO continues to advocate for full repeal of the GPO and WEP, we understand there are significant fiscal challenges associated with this effort. We have therefore worked closely with other public sector organizations to find common ground on a meaningful WEP reform proposal. Chairman Richard Neal and Ranking Member Kevin Brady have introduced WEP reform legislation, the Equal Treatment of Public Servants Act, which has gotten us closer to the possibility of true WEP reform than ever before. However, there is still work to be done to ensure all public servants benefit from the reform.

The Equal Treatment of Public Servants Act would repeal the WEP, replacing it with a new Social Security benefit formula designed to more accurately account for years a public employee paid into Social Security versus the years paid into a public pension system in a non-Social Security covered position. As a result of this change, the Social Security actuary has projected that the majority of current retirees impacted by WEP would see roughly one-third of their benefit restored.

The legislation would create two distinct groups of retirees. The first – individuals age 55 and younger – would have their WEP calculated using the new formula created under the Equal Treatment of Public Servants Act, which will go into effect in 2025. The second group, consisting of individuals age 56 and older as of 2020, will keep the current WEP formula and get a monthly rebate to help make up for part of the lost benefits due to WEP. The rebate would be $100/month (or $50/month for a spouse) and subject to cost of living increases.

Additionally, as of 2025, the current exemption from the WEP for those who have worked in a Social Security covered job for 30 or more years would be eliminated. Those workers with 30 or more years paying into Social Security who retired prior to 2025 would still be exempt from the WEP. After 2025, all future retirees would be subject to the new WEP formula, no matter how many years they paid into Social Security.

This elimination of the WEP exemption would adversely impact our members who work in states where public employees are covered by Social Security. There are only fifteen states where public employees are not covered by Social Security: Alaska, California, Colorado, Connecticut, Georgia, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island and Texas. NAPO cannot support legislation, no matter how promising the reform, if it adversely impacts the retirement security of any public safety officers who have given so much in service to their communities. The WEP exemption must be kept intact as part of WEP reform.

NAPO believes we will be able to come together and successfully pass meaningful WEP reform that helps restore retirement security to public employees across this nation. We look forward to working with the Subcommittee to remedy the arbitrary and unwarranted penalties faced by retired law enforcement officers and their families.

Thank you for your time and consideration of this important issue.