

**SOCIAL SECURITY FOREVER: DELIVERING
BENEFITS AND PROTECTING
RETIREMENT SECURITY**

HEARING
BEFORE THE
COMMITTEE ON THE BUDGET
UNITED STATES SENATE
ONE HUNDRED EIGHTEENTH CONGRESS
SECOND SESSION

—————
September 11, 2024
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Printed for the use of the Committee on the Budget



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SOCIAL SECURITY FOREVER: DELIVERING BENEFITS AND PROTECTING RETIREMENT SECURITY

WEDNESDAY, SEPTEMBER 11, 2024

COMMITTEE ON THE BUDGET,
U.S. SENATE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:00 a.m., in the Dirksen Senate Office Building, Room SD-608, Hon. Sheldon Whitehouse, Chairman of the Committee, presiding.

Present: Senators Whitehouse, Murray, Wyden, Merkley, Kaine, Van Hollen, Luján, Grassley, Johnson, Romney, Braun and Scott.

Also present: Democratic Staff: Dan Dudis, Majority Staff Director; Tyler Evilsizer, Director of Scorekeeping; Sion Bell, Tax Policy Advisor.

Republican Staff: Chris Conlin, Deputy Staff Director; Krisann Pearce, General Counsel; Erich Hartman, Director of Budget Policy and Review; Ryan Flynn, Budget Analyst.

Panel One Witness:

The Honorable Martin O'Malley, Commissioner, Social Security Administration.

Panel Two Witnesses:

Ms. Rebecca D. Vallas, Chief Executive Officer, National Academy of Social Insurance.

Mr. Roger Boudreau, President, Rhode Island AFT/Retirees Local #8037R.

Dr. Molly Dahl, Long-Term Analysis Unit Chief, Congressional Budget Office.

Mr. Shai Akabas, Executive Director, Economic Policy Program, Bipartisan Policy Center.

OPENING STATEMENT OF CHAIRMAN WHITEHOUSE ¹

Chairman WHITEHOUSE. Good morning everyone. This hearing of the Senate Budget Committee will come to order. I am delighted to be back with my distinguished Ranking Member, Senator Grassley, who had a wonderful August in Iowa, and to be joined by Appropriations Chairman Murray and Finance Chair Wyden.

We will proceed with opening statements from myself and Senator Grassley. Chairman Wyden has asked to make a brief statement also, so I will recognize him for that, and then we will proceed on with the regular order of questioning.

¹Prepared statement of Chairman Whitehouse appears in the appendix on page 42.

I want to welcome Governor O'Malley here. We are delighted that he is here, and obviously today's hearing is going to examine the challenges facing the agency that he runs, one of our most important government programs, Social Security.

Social Security has been a pillar of retirement security for millions of seniors for nearly 90 years, and it continues to be the nation's most effective anti-poverty program. Social Security distributes benefits to nearly 70 million Americans, 20 percent of the U.S. population, and in 2022, it lifted 28 million Americans out of poverty.

But Social Security is facing a looming solvency problem, and immediate budgetary issues as it modernizes and improves customer service. We will explore these challenges today. Social Security Commissioner Martin O'Malley has already improved the agency's customer service and benefit delivery.

In less than a year, he has reduced wait times for a disability hearing by almost 30 percent, reduced phone call wait times by more than 40 percent, and ensured that more Social Security beneficiaries get their benefits within just two weeks of applying.

The Commissioner is here to testify about the agency's budget request for fiscal year 2025, and about how more than a decade of shortfalls made things worse for Social Security beneficiaries. Social Security must have the resources to do its work properly. So I was pleased to see that fully funding the Social Security Administration is part of the Biden administration's request for the September continuing resolution.

Our second panel will focus on protecting Social Security forever, and strengthening retirement security for all Americans. Rhode Island's own Roger Boudreau is here, a tireless advocate for the state's retirees and pensioners. He will testify about the importance of Social Security in providing a strong foundation for American retirement.

Without new revenue, this bedrock of the American retirement system will only cover 83 percent of benefits beginning in 2035. So it is incumbent upon us in Congress to examine real solutions, to close the revenue gap and preserve the promise of Social Security for our kids and grandkids.

The promise of Social Security is a promise we cannot break. At last year's State of the Union, President Biden received a standing ovation from Republicans and Democrats alike, when he proclaimed that cutting Social Security and Medicare was off the table.

As he said that night, we got unanimity. But Republican claims that they do not want to cut benefits do not match the Republican House's actions. The current Republican Study Committee budget, representing 80 percent of House Republicans, has proposed cutting \$1.5 trillion of Social Security benefits over the next ten years.

It would reduce the benefit formula and raise the retirement age to 69, which would especially hurt low income retirees. But let us say that Social Security benefit cuts really are off the table. If cuts are truly off the table, then that leaves only one other option to prevent insolvency: raise revenue. There is no third option, and that means it is time to get to work identifying smart, fair ways

to raise revenue, fund the Social Security Trust Fund, and preserve and protect benefits.

Fortunately, there are solutions that would both extend Social Security solvency indefinitely with zero benefit cuts, and make our tax system fairer, like my Medicare and Social Security Fair Share Act. Right now, the cap on Social Security contributions means that if you are a Chief Executive Officer (CEO) making \$10 million a year, you only pay into Social Security for the first week of your paycheck.

A school teacher or a nurse, however, will pay into the program with every single paycheck. That just is not fair. My Medicare and Social Security Fair Share Act would fix that by requiring contributions to Social Security on all wages above \$400,000.

Further, people living off of non-wage income make no Social Security contributions. That is not fair either, and my bill would also fix that. Those making more than \$400,000 in investment income would contribute just like those who are working.

These reforms raise enough revenue to make Social Security, and by the way Medicare too, solvent indefinitely, as far as the actuarial eye can see, according to the respective actuaries for the two programs. At the moment, there are no Republican proposals to restore solvency to Social Security without benefit cuts. The last Republican-sponsored legislation to preserve Social Security's long-term solvency was in 2016, eight years ago, and that legislation was 100 percent benefit cuts.

So if benefit cuts are now off the table, that proposal is dead, yet there is no other Republican bill. My bill would protect Social Security and Medicare without cutting benefits by making wealthy non-taxpayers pay their fair share.

If Republicans want to come up with a proposal that restores solvency while avoiding benefit cuts, as the standing ovation at the State of the Union promised, Democrats are all ears.

Here is what I think the plan is for Republicans. Run out the clock until insolvency, and then when there is a crisis, try to get Democrats into a back room, where Republicans can secretly negotiate benefit cuts, and then bring them out to the public under cover of bipartisanship.

That will not work. But if that is not the plan, then show us a proposal. Americans care about Social Security and Americans are watching. Senator Grassley.

OPENING STATEMENT OF SENATOR GRASSLEY²

Senator GRASSLEY. Mr. Chairman, before I continue my opening statement, I want to also acknowledge today being the 23rd anniversary of 9/11 attacks. Time cannot erase the horrors of that day. We must always remember the thousands of Americans who lost their lives to terrorism, and we are forever grateful for those heroes and first responders who made tremendous sacrifices trying to save fellow countrymen.

Now to today's subject. You will not find disagreement from my side of the aisle on the need to strengthen and preserve Social Se-

²Prepared statement of Senator Grassley appears in the appendix on page 44.

curity for generations to come. As I often say, Social Security is part of the social fabric of America.

Unfortunately, Social Security is presently on a path of insolvency. Congressional Budget Office (CBO) tells us that by 2033, Social Security primary Trust Fund will only be able to pay 75 percent of scheduled benefits. Congress must work in a bipartisan fashion to save Social Security once and for all. This will require listening to multiple points of view, not just those with which we agree.

Towards that end, I have invited Molly Dahl of the non-partisan Congressional Budget Office to give us the straight facts on Social Security finances. And I have—also with us, at my request, is Shai Akabas of the Bipartisan Policy Center. He will provide a sober view of the different choices and tradeoffs inherent in any serious proposal to address Social Security looming funding shortfall.

My hope is for us to have a serious discussion, void of political fearmongering that too often dominates this debate. But I will not hold my breath. We are in the midst of a presidential election, and one of the Democrats' favorite campaign tactics over many years has been to suggest Republicans want to pull the rug out from under our seniors and end Social Security as we know it.

We saw that in the 2020 presidential election when the Biden-Harris allies in the Senate decided to manufacture a crisis. At that time, the Senators snookered the Social Security Chief Actuary into analyzing non-existing legislation to eliminate Social Security payroll taxes.

They then characterized the actuary's analysis as evidence that President Trump sought to defund Social Security. That went too far even for the liberal Washington Post, which awarded that claim four Pinocchios. Even so, that did not stop a cottage industry of left wing groups from running ads, scaring seniors about a false Republican effort to destroy Social Security.

It is scare tactics such as these that are the true threats to Social Security. Why? Because they stifle honest debate and delay bipartisan action, and nothing is going to happen without a bipartisan approach, action that is necessary to prevent automatic cuts to retirement benefits that will occur under present law.

With that said, I want to welcome our Social Security Commissioner, Governor O'Malley, who will testify first today. I trust he will do his best to avoid the Social Security Administration being dragged into election year scare tactics as occurred in 2020.

Even though both the House and Senate Appropriations Committees have already rejected the Biden-Harris budget request for Social Security Administration in their committee reports of the Labor-Department of Health and Human Services (HHS) bills, I still look forward to hearing Commissioner O'Malley on his plan to improve customer service at the agency.

I regularly hear from Iowans who find it challenging to get in touch with Social Security, whether by phone or in person. In June at the Finance Committee hearing, I asked a Social Security field office manager how many of her employees come to the office during work week. She responded that only five of her 40 employees were in the office five days per week.

I cannot help but wonder if that may be a reason so many Iowans struggle to get assistance that they need. And then one comment to where the Chairman ended up, if you would allow me to say, you mentioned that we are going to sit back until this program goes broke. Then we are going to put a plan out, secretly, and ask for your bipartisan support.

Let me suggest to you that when you blame Republicans for waiting for the thing to go broke, you remember in '84 after what, 24 years of Democrats controlling the U.S. Senate, and at that point about 30 years controlling the U.S. House of Representatives, the Democrat Congress let it go broke in 1984 before they sat down.

And the reason it was finally solved, if you remember there were Reagans and Tip O'Neills in Washington, D.C. at that particular time that said we are not going to let this good program go broke. We have got to solve a problem. The trouble is there is no Reagans or Tip O'Neills in Washington right now. That is a sad commentary of why something is not getting done.

So maybe some Tip O'Neill and Reagan will rise in 2025 to help solve this. I hope so.

Chairman WHITEHOUSE. I hope so, too. I think that would probably be encouraged by having two proposals to compare. At the moment, we only have proposals on the Democrat side. Chairman Wyden asked to be recognized briefly. I am delighted to turn to him.

Senator WYDEN. Thank you, Mr. Chairman, and I will be brief. First of all, we want to thank the Commissioner for being here and talking about bipartisanship. We all in the Finance Committee remember his confirmation hearings, and he set targets, specific targets for improving services, and he is on track to meet those targets.

So with respect to Social Security, and we have got a number of Finance Committee members and members on other important committees, we are interested in working in a bipartisan way in every opportunity possible. First with respect to the revenue, you know, issue.

We have had ideas. We have had concrete, specific proposals. Senator Whitehouse has talked about one, I have talked about one. I said everybody has got to pay their fair share. No special exemptions for billionaires. The fact here is we Democrats know that the ultra-wealthy are avoiding nearly \$2 trillion in taxes every ten years.

That is enough to keep Social Security whole till the end of this century. Those are facts. We have proposals to offer to colleagues on both sides of the aisle to carry that out.

Second, you contrast this again with the facts on the ground. Chairman Whitehouse just talked about the House already laying out various proposals that would end up cutting benefits. These reimbursement rate proposals are always configuring the system in a way that cuts benefits for seniors.

That is what the Cost-of-Living Adjustment (COLA) changes are all about. That is what the age proposals are all about. So at the end of the day, the question for the Congress and for the Senate is do we want to take the steps that the Chairman outlined, that

I have said on the Finance Committee we will work in a bipartisan way to carry out and protect the Social Security guarantee, or do we want to start down the path as the House already did with those proposals that Senator Whitehouse, you know, talked about, and basically toss the guarantee in the trash?

The American people do not want to see that happen to the Social Security guarantee. I am here as Chairman of the Senate Finance Committee to work with my colleagues on both sides of the aisle, specifically to get started on the fact that the ultra-wealthy are avoiding those \$2 trillion in taxes every ten years.

That is where we ought to go to start making progress, and I am interested in doing that in a bipartisan way. Thank you, Mr. Chairman.

Chairman WHITEHOUSE. Thank you, Chairman Wyden. As the old advertisement used to say, when the Chairman of the Finance Committee talks, people listen. So thank you for talking.

Commissioner O'Malley, thank you for being here. The Commissioner was Senate confirmed in a bipartisan vote, including the support of both myself and Ranking Member Grassley. He has done terrific work, as I outlined in my remarks already, with more to do. He previously served as Governor of Maryland from 2007 to 2015, and before that Mayor of Baltimore.

And we are delighted, Governor, that you are here, and I am sure that your colleague, Senator—the Senators from Maryland, who are here, Senators Cardin and Van Hollen, will be taking the chance to greet you as you visit us here in the Senate. They are big fans of yours as you know. We are sorry to be losing Ben at the end of this term.

**STATEMENT OF THE HONORABLE MARTIN O'MALLEY,
COMMISSIONER, SOCIAL SECURITY ADMINISTRATION³**

Commissioner O'MALLEY. Mr. Chairman, thank you. Thank you to all of the members of the Committee. I have had the honor to speak with each of you and to receive your advice during that confirmation process. It has been invaluable to me in these last 270-some days in leading this agency.

I want to thank you so much for holding this critically important hearing, to consider the staffing levels and customer service at the United States Social Security Administration. We do so on September 11th, and Ranking Member Grassley, I join you in solidarity with every American in remembering that day.

I do not think I can ever experience a clear sky in September without thinking of that day, and on that fateful day Social Security was also present, not sorting through the physical rubble but we were there to make sure survivor benefits were paid to all of the kids that lost parents in those attacks.

Perhaps after sustaining this republic through the pandemic, the challenge we face today at Social Security is perhaps the most daunting in its 89 year history, and that is saying a lot. This is the very first Budget or Appropriations Committee hearing Social Security has been granted in ten years of steady declines in customer service provided to the American people.

³Prepared statement of Hon. O'Malley appears in the appendix on page 47.

And the fundamental reason for this precipitous decline is not the pandemic and it is not telework. It is this. Social Security today is struggling to serve more customers than ever, with staffing that Congress has reduced to a 50 year low.

Allow me to repeat this hard but essential truth. Social Security today, not ten years from now but today, is struggling to serve more customers than ever with staffing levels reduced to 50 year lows, and I do not believe for a moment that this was the intention of Congress.

But the cold result is customer service for which Americans have already paid by working their whole lives, has now been reduced to crisis levels. What does that crisis level look like? You have heard the calls and you have heard the cries.

Hour-long waits, sometimes an hour and a half on the 800 number. Financial hardships inflicted, oftentimes on our elderly and most vulnerable citizens through no fault of their own, because of overpayments and the injustice of underpayments, that it takes us too long to catch up to.

And in far too many states, almost a year-long wait now, a year-long wait just for the initial disability determination, with a record backlog of 1.2 million cases. Members of the Committee this is what happens when an agency is forced to serve more and more and more people, with fewer and fewer and fewer staff. And the American people deserve better. In fact, they have already paid for better.

I know your offices have received their calls. We see their faces every day in 1,211 now understaffed field offices all across America. So you might be heartened to learn that in recent months, with your advice, consent and support, notwithstanding the enormity of the challenge we have taken bold steps to achieve real and measurable progress on some of our toughest problems.

We have now reduced the wait times on the 800 number by 50 percent. We have eliminated the callback cruelty by changing policies so that we no longer intercept 100 percent of a retiree's check in order to recoup the overpayment. We have learned now for the first time in recent memory, we have cleared more cases every week for 12 weeks in a row in the initial disability determinations than have been filed on the front end of that process.

And we have reduced the Administrative Law Judges (ALJ), you know, the appellate level hearing backlog to a 30 year low. But make no mistake about it. These recent gains will be short-lived without your immediate attention and support.

True story. In 2018, you allowed this agency to operate on 1.2 percent overhead, compared to annual benefits paid out. If you were to compare that to a private insurance company, Allstate operates on 19 percent overhead. Liberty Mutual, Liberty Biberty, on 23 percent overhead.

When Congress allowed Social Security to serve our customers and to serve them well, we operated on just 1.2 percent overhead compared to benefits paid. But over the last ten years, that has been reduced to less than one percent, and that is why we are now at a 50 year low in staffing and crisis level in terms of customer service.

So what can be done? The good news is like the solvency challenge in 2035, the good news is this customer service crisis is also solvable. This is a solvable problem. Allowing Social Security to provide the customer service for which people have already paid is not a new idea.

The money for the most part is already there. This is merely a return to normalcy, common sense tradition, and a restoration of the customer service for which people have already paid. Now the President's budget for Social Security would be a big step in the right direction. It would allow us to improve customer service and reduce those unacceptably long wait times and backlogs across a range of services.

With your support, the \$15.4 billion proposed by the President would allow us to greatly restore staffing at our field offices and at our teleservice centers, where by the way attrition has run at 22 and 24 percent for the last several years. It would allow us to greatly restore staffing of disability examiners in our 52 state disability offices, including District of Columbia and Puerto Rico.

And finally, it would allow us to make some meaningful headway on modernizing the technology that it takes to speed up processing times for millions of claims, while expanding online services options for our citizens.

So in conclusion, I continue to be inspired every single day by the commitment, the grit and the heart of the men and women of the Social Security Administration. They have soldiered on in the face of this daunting mismatch between staffing and customers, and I am especially grateful to them for the hard-won progress of these recent months.

But we need your urgent attention now. As the number of our customers continues to climb, there is no act of Congress that will change those demographics. But your action now to give us the support, to allow us to use the dollars people have already paid is critically important. I thank you so much for holding this hearing. I look forward to answering your questions.

Chairman WHITEHOUSE. Well, we are delighted that you are here Commissioner, and I guess I will ask three questions. The first is give us some examples of things that would improve if we were able to give you the funding levels that Office of Management and Budget (OMB) has requested?

Commissioner O'MALLEY. Mr. Chairman, thank you. A few of the things that we have been able to improve, and it is—you know, the main—about eight million people call our 800 number every month. Not every year, every month. Another eight million go into the 1,211 field offices. I think we still have 1,211. Every now and again one of them implodes without warning, given the shortness of staff.

But the two things that it would primarily allow us to do is to start to staff up in those critically important customer-facing places, namely the 800 number. My father-in-law, who is 93 years old, says to me in other context, but it applies in this one, he says "You know Mart, when I call an 800 number I just want to get a person. I just need to talk to a person."

So being able to restore those teleservice numbers, to keep pace with the rise in volume, and secondly the field offices—the 1,211 field offices are also suffering from that short staffing. When Con-

gress passed the budget for the year, we came out of seven months of a hiring freeze, and with those dollars we are able to start to replace in the teleservice centers and the disability determination offices some staff.

In the field offices, we are only backfilling some places, one for every ten that we had lost in the course of that year, and the final one I just mentioned that there was the disability determination offices, which have suffered a lot of loss over the last year.

And undergirding all of that, of course, is the Information Technology (IT) platform, and a modernization that is desperately needed on what is a very old Common Business-Oriented Language (COBOL)-based system with green screens.

Chairman WHITEHOUSE. Ranking Member Grassley mentioned the last major Social Security legislation 40, 4-0, years ago, and one of the things that I noticed has changed since then has been dramatically worsened income inequality in the United States. What has that change in income inequality meant for Social Security and its revenues?

Commissioner O'MALLEY. Yeah. It is a question that I did not—that I ask myself. Well, actually I did not ask it that way. But I learned the answer, which goes to the call of your question.

I had asked our public actuary/chief actuary Steve Goss, you know, given the history and what happened in the 75 year what we—what Congress had hoped in the days of President Reagan and Speaker O'Neill, would be a 75 year fix. I said what did you all get wrong? And he said the main thing, 90 percent of the reason why that some call the solvency event, what others call the cliff, what others call the 17 percent shortfall, the reason that that was moved forward was because actions taken after that compromise took more and more income out of the band, that as you mentioned Social Security, to which Social Security applies.

In other words, changes in our economy, changes in our tax policies, other things meant that in the ensuing years, while a majority, vast majority of Americans saw no real increase in their wages, the top six percent did.

That that entire six percent, the lopsided nature of those income gains was all outside that band that, as you pointed out, the people who guard these buildings, the people who keep these buildings clean and safe, pay all year. Someone like Warren Buffet pays for like 30 seconds of a New Year.

And so it was the taking of those earned dollars out of that narrow bracket that caused the shortfall to be advanced from 2050 to 2034, excuse me. It is now pushed off to 2035 due to better job and wage growth.

Chairman WHITEHOUSE. My last question is a very simple one. There are places in the Social Security rules where very significant consequences follow from very small changes. So you hit your income cap, you go one dollar over and suddenly there are very dramatic changes that happen. These cliffs, I think, are really hard for people that get caught by surprise by them, and they are also, it seems to me, pretty terrible just public policy.

And I would just like to ask you if you would be willing to work with me, and I know Senator Wyden is interested in this on the Finance Committee as well, in a general look at how to do cliff

smoothing, so that these dramatic consequences for earning one dollar more are mitigated for American families.

Commissioner O'MALLEY. Yes sir. Mr. Chairman, we would love to work with you on that. There is a lot of really important work that is already ongoing. Advocates like National Association of Disability Representatives (NADR) and National Organization of Social Security Claimants' Representatives (NOSSCR) and others talking about how we get people back to work, and remove that fear that they are going to, in a split second, lose medical coverage for their family.

National Federation for the Blind was talking to me recently about some of the cliffs in that program. There has been a bipartisan effort by Senators Cassidy and Brown to raise the asset limit, where Supplemental Security Income program is concerned. So on many of these fronts—

Chairman WHITEHOUSE. I look forward to working with you on the cliff smoothing issue.

Commissioner O'MALLEY. Thank you.

Chairman WHITEHOUSE. And I turn to Ranking Member Grassley.

Senator GRASSLEY. Yeah. You cosigned the recent Social Security Trustees report, recommending that lawmakers take, in your words, timely legislative action to protect Social Security for future generations. Of course, saving Social Security and preventing a 25 year cut in senior benefits will require Presidential leadership.

You are here to testify on the administration's budget request for your department. Have you encouraged the administration to include any legislative proposals in their budget to extend the solvency of the Social Security?

Commissioner O'MALLEY. Senator, I am very mindful that the prerogative of policy and timing is that of your august body, Article I, along with the President of the United States. I have expressed to the administration that, just as I promised you in our meetings and all of you that served—that on the confirmation hearing, that we have an actuary who is top notch, has served under Democratic and Republican Presidents alike.

I stand ready, willing and able to provide any data, any information that would inform the debate and make sure that it is grounded in the truth, and the sooner we get to the truth, I think the better for the American people.

Senator GRASSLEY. Not only does the Biden-Harris budget fail to extend Social Security's solvency, their budget projects that the policies it contains would reduce Social Security payroll tax revenues by \$17 billion. As a result, their budget would worsen the program's finances.

Which policies in the Biden-Harris budget are responsible for this reduction in Social Security revenues?

Commissioner O'MALLEY. Senator, I am sorry. I was not following the call of your question. Can you come at me again with that?

Senator GRASSLEY. Which policies in the Biden-Harris budget are responsible for this \$17 billion reduction in Social Security payroll taxes that comes to support Social Security?

Commissioner O'MALLEY. Senator, I am not aware of anything in their budget being responsible for that. However, I am aware that the dynamics in our, you know, the demographics are always constantly changing. Ratios of workers to beneficiaries, birth rates, which has really taken a hit, and what had been the strengthening of our country's finances by the arrival of immigrants has been greatly slowed in some cases.

Senator GRASSLEY. Since you are not prepared to answer that or able to answer it today, I would like to have an answer in writing.

Commissioner O'MALLEY. Yes sir. If I find one, I will get back to you in writing, whether I find anything in the budget or not on that.

Senator GRASSLEY. Well, let my staff help you find something.

Commissioner O'MALLEY. Yes sir. Chris is very diligent.

Senator GRASSLEY. As I mentioned during my opening statement, I regularly hear from Iowans who struggle to get in contact with anyone from Social Security. Despite increased staffing needs, the administration of Social Security continues to allow for flexible telework for frontline employees such as field office workers.

In fact, I said earlier a field office manager told me in June that only five of her 40 employees come to the office five days per week. What steps are you taking to, as Commissioner, to ensure more employees do show up to the office?

Commissioner O'MALLEY. Yes sir. Mr. Chairman, thank you. One of the issues I had to deal with immediately upon your sending me to the Social Security Administration was a change in our telework posture. I do not believe that anybody in public or private sector got this right the first try, and neither did we.

But the second try was on February 2nd, about 30 days after I walked into that headquarters, and we changed our telework balance. Now in truth, the field offices have been open five days a week ever since vaccines were available, and in a sense never closed because managers went in anyway and opened the mail all through COVID to make sure that, you know, we did not stop doing what we needed to do.

But our posture at the headquarters and in the regions—in the field offices, by the way sir, it is—they are open five days a week. Three of those days are in person, in the office because you cannot—you have to be able to see people, and two of those are telework where things get processed.

Interviews happen on the phone, interviews happen by video. As I traveled around, I indeed, as you did, found some people that choose to come in all five days out of the week. With regard to the regional headquarters and the headquarters in Baltimore and Washington, the office in Washington here, the change was to go to three days a week in person, two for telework.

If you—the latest report that came out from the OMB report to Congress on telework, showed that we had more on site presence than the Department of Education, U.S. Department of Housing and Urban Development (HUD), Labor, Treasury, Environmental Protection, General Services Administration (GSA), National Science Foundation and an article, I believe was Federal News Network, said that we may have struck the balance that will be an example to other federal agencies.

So we are open in other ways to improve, but right now the balance is a lot better than it was.

Senator GRASSLEY. Thank you.

Chairman WHITEHOUSE. Chairman Murray is now recognized. If Senator Scott returns, he will be next.

STATEMENT OF SENATOR MURRAY

Senator MURRAY. Thank you. Thank you very much, Chair Whitehouse. Governor, good to see you. Thank you for the job you are doing. Social Security is more than a lifeline. It really is a promise we make to the American people. If you work hard, the benefits you earn will be there for you when you retire, and if you have a disability, you will not be left out on your own.

We have an enormous responsibility to do everything we can to protect this program for the future, and make sure that right now today, it is working for folks back home. Now when it comes to the future, there are straightforward ways to strengthen Social Security by making it a little fairer.

Right now, someone making a billion dollars a year pays the exact same amount into Social Security as someone who makes \$170,000. We could fix that, so the wealthiest people no longer have the smallest Social Security tax rate. Sounds simple and sounds fair.

But instead, the Republicans 2025 plans, like the Republican Study Committee budget called for, raising the retirement age and cutting benefits for some people. Democrats have been very clear. We are not going to let anyone weaken benefits and break our promise—not for seniors today and certainly not for seniors tomorrow.

I want to see us do more to live up to our promise to people who are getting benefits right now, like repealing the windfall elimination provision and government pension offset that actually unfairly reduces pensions for hard-working public servants.

That would help 40,000 people in my home state, and millions more nationwide including many of our current retirees. And as Chair of Appropriations, I have to underscore keeping our promise is not just about how Social Security is structured. It is about adequately funding the office charged with prosecuting and executing on that promise.

I fight hard every year to make sure we secure necessary funding for the Social Security Administration, and I am always pushing for more because I hear personally from so many constituents who are fighting their own long uphill battles, trying to get help.

I had one constituent who was trying to sign up for Medicare. First she was told she could not sign up online. Then she was told she would receive an appointment email in 30 days. She waited 45 days, no update, called and was told to call again in ten days. Fourteen more days, no update. She calls and is directed to the local office.

Now I want to be clear. We have very hard, dedicated public servants at the local Social Security Administration (SSA) office. They work very hard to help our constituents. But the problem is here we do not have enough of them, because for her there was no

opening through October and no guarantee she will get an appointment after that, given how many others are waiting in line.

Mind you, she first reached out in July. She is not alone, not in Washington where I know other constituents have been trying to get an appointment since May, and not across the country, where I have no doubt other families are facing similar challenges.

So we have to remember that promises like Social Security are not magic words. They do not keep themselves, they do not run themselves, they do not fund themselves. Keeping our promises requires the hard work of public servants at the Social Security Administration, and that requires federal funding.

Every time House Republicans propose blanket across-the-board cuts to domestic spending or an extended Continuing Resolution (CR) that would leave SSA at its lowest staffing levels in more than 50 years, they are in effect proposing that more seniors waiting longer and longer for benefits they were promised and getting less help.

That is just not acceptable to me. It is not what we promised our families, and I am really glad that we have the opportunity today to talk about what is required to deliver this promise to our constituents. So Commissioner O'Malley, you have to have the resources to provide the staffing to be able to help our constituents, and to hire and train the personnel in all of the work they do.

Which is why the Senate Appropriations Committee recently advanced a bill to increase SSA funding by \$509 million over 24 levels. I wish we could have provided more, but the Fiscal Responsibility Act (FRA) spending limits not only constrain and threaten our defense and national security, but they also threaten us to be able to adequately administer Social Security and Medicare.

So I am glad you are here, because I want to ask you: how would that increase included in the Senate Labor-HHS bill for Fiscal Year (FY) '25, help you improve your personnel and customer service?

Commissioner O'MALLEY. Senator, thank you. Thank you for the question and thank you for your past help a couple of years back, that allowed us to keep our nose above water coming out of the pandemic. The Senate mark is certainly far preferable to what the House proposed to do to us.

The swing there is almost a billion dollar swing between what the House proposed, which would entail 20 furlough days, the net losses of 3,400 staff, and that is just in the SSA staffing. The Disability Determination Services (DDSs) would be cut by 1,500. The IT funding would be barely lights on.

By contrast, the Senate mark would be the better. It would allow us to not only keep the lights on in IT funding, but an additional \$50 million to do some needed modernization on customer-facing aspect. It would still have 1,000 net losses in overall staff at SSA, but not as bad as the 3,400 that I would say would be—I do not want to call it catastrophic. It would be devastating if the House mark were to go through.

On DDS staffing, instead of losing 1,500 initial disability examiners as the House proposes, we would only lose 500, and you know, the overtime would be level as you would know from understanding our budget. We use overtime to put down spikes and other things in the backlogs.

So that is the summation. That is the compare and contrast. The Senate mark is much better. The only option before you that actually guarantees that we will restore customer service is really the President's budget or the anomaly in the CR. But the Senate mark is much better, and I thank you for that.

Senator MURRAY. So for my colleagues, it is critical that we look at what the Finance Committee is doing, which Chair Wyden and Chair Whitehouse talked about. But we also have to make sure we have people to process these claims, and that is through the appropriations process and these dramatic across the board cuts, CRs for six months, are not going to be able to make sure that we provide our constituents with the promise we have given them.

Commissioner O'MALLEY. And may I also thank you for the bipartisan nature of that, because it meant a lot to our workers, to see such a strong bipartisan rebuke to further cuts of customer service as were proposed in the House.

Senator MURRAY. Absolutely. Thank you.

Chairman WHITEHOUSE. Senator Scott, followed by Chairman Wyden. Senator Scott.

STATEMENT OF SENATOR SCOTT

Senator SCOTT. Thank you, Chairman. Thank you, Commissioner O'Malley for being here. When we spoke back when you came right before the Aging Committee, we talked about how unsustainable Social Security is, and it is not something you can fix. It is something that Congress has to fix with the—with the support of the White House.

I stress the fact that the Biden-Harris administration has not taken a single action to actually improve the solvency of Social Security. President Biden and Vice President Harris have pretended throughout their administration that somehow massive tax hikes can solve the problems with Social Security's insolvency. But as we all know, that is a lie.

Biden-Harris proposed budget admits that we will not work. I mean that it is not going to work, and that is under their plan the federal government will continue to run trillion dollar deficits. According to the Biden-Harris budget proposal, even if they get all the tax hikes they want, our federal debt is going to continue to grow by \$6.4 trillion in the next four years, and we already have over \$35 trillion worth of debt, and we are going to hit \$36 trillion by the end of this year.

To add insult to injury, the Biden-Harris administration's plan to fix our economy is to borrow more money, spend more money and tax more while we give illegals more free stuff. So I think it sums up in one phrase: illegals get more free stuff and citizens pay more.

I think we all know that Social Security has got to get fixed. It is at risk because of billions that we are spending on—some of it is because of the billions we are spending for housing and safeguarding illegals. I think we all know it is unsustainable.

So I wish the administration was doing something about this. Unfortunately, there is nothing this administration is doing. Of course, it is not something that in sitting in your job you can make happen like that. I am also very concerned with the levels of cus-

tomers service that Floridians are receiving from the agency, and I think we talked about that.

You announced a new telework policy for some SSA employees, but not others. You did not change telework policies for frontline workers such as field office employees, who have two days of optional telework per week. So in my state, and I do not know if it is true around the country, but in my state, you know, a lot of people are complaining, and I think we talked about that.

So there is serious customer service issues at the agency, which I think you admitted you were going to work really hard on when you got started. So can you explain, you know, your concept as to telework when COVID's passed and, you know, most of the work—the working world is back to work?

Commissioner O'MALLEY. Sure. Senator, thank you.

There was a lot packed in your question, but I will focus on the customer-facing stuff and the balance between onsite presence and telework. I want to show you—I know it is kind of far away, but it is also in the written testimony.

This is a graph that shows the rising number of customers, which are just going to continue to rise. I know you are much younger than me, but people like baby boomers my age are continuing to enter the beneficiary pool. So the customers continue to go up, but Congress has reduced our staffing to ten year lows.

Let me talk about the telework, the effectiveness and the productivity. Our productivity has actually increased over the last year by 5.7 percent on—we are not done with the fiscal year, but as of the end of July, let me see—June or July, our productivity was up 5.7 percent.

We are not only an entity that receives customers when they walk in or answers their calls when they call on the 800 number. The same people in those field offices are also the ones that process the insurance claims, that need time away from the windows and away from the conversations to actually make real and effectuate the things for which people are applying.

Whether it is a waiver on the overpayments that you and I talked about that grave injustice, which we have done a lot of good to stop, or whether it is applying for their retirement or their Medicare. Time is required to process and put those things through. So yes, in the field offices, which have been open since the close of COVID, we do have a posture of three days on site, two telework.

Senator Grassley saw in one of his offices that five of the people in that office said they come in five days a week, and I have noticed in visiting field offices in Florida and South Florida, I ran into people like that as well. But what they do when they are doing teleservice are things we can measure and things we can see, because it is the production.

Similarly, with the teleservice people on the 1-800 number, almost all modern teleservice centers operate on voiceover Internet with an amazing amount of management intelligence coming in real time, feedback—

Senator SCOTT. The people who work in your offices are good people, by the way.

Commissioner O'MALLEY. What is that?

Senator SCOTT. The people who work in your offices are good people.

Commissioner O'MALLEY. Well thank you for saying that. What I hear generally once I caught this nomination, as I run into my own neighbors and friends, they say you know, I found that once I got to a person, it was actually pretty good. But I had a heck of a time getting to somebody.

And that again is a reflection of 50 years lows in staffing and all-time high in customers. And in the regional headquarters of the regions and national headquarters, we did make a big change in the onsite work, and we are now pretty much in the mid-range of federal agencies and ahead of about ten of them.

Senator SCOTT. So we—I know I am out of time. Will you just call when you get a chance, to explain the overpayment stuff again, how you are doing?

Commissioner O'MALLEY. Sure, yes sir. We did some action very—

Senator SCOTT. I know we are out of time. I do not know if you want to do that now or you can just give me a call.

Commissioner O'MALLEY. But it is such a good story.

Senator WYDEN. And I want my colleague to know I will work with him on it, because that was going to be my question.

Commissioner O'MALLEY. Does that mean I get to answer the question?

Chairman WHITEHOUSE. It is Chairman Wyden's time now.

Senator SCOTT. I would like—

Commissioner O'MALLEY. Yes sir.

Senator SCOTT. I mean I hope it is a good story.

Commissioner O'MALLEY. Yeah, it is a great story. So this is what we do—

Senator SCOTT. Because I assume it happens in all of our states, right?

Commissioner O'MALLEY. Yeah, and we were on 60 Minutes. Anderson Cooper backed up and ran over us two more times in reruns. So here is what we did on overpayments. We had a policy in Title 16, Supplemental Security Income (SSI), that if someone did not call us when we notified them of an overpayment, we would intercept ten percent of every check moving forward until we recouped it.

The default setting in Title 2, namely the retirees, was 100 percent of the check. So in my first day on the job, I asked my outgoing head of the legal department—where is it written that we have to intercept 100 percent of the check? He said very quickly it is in statute. I said it is in statute? You said that very quickly. Are you sure? Can you show it to me?

And he could not find it that day, but the next morning he came back and I asked him. He said well it turns out it is not in statute, to which I said is it in the Constitution or is it one of the 10 Commandments? He said no, it is not in those either.

It is actually sub-regulatory. I said ahh. So that means we can change it, and so we have. And now we have gotten to a point where—this is a smaller graph. But because of that policy change, you have seen us pretty much reduce to almost zero the numbers

of people that ever have 100 percent of their benefits newly intercepted.

Now we still execute on your intent to have us recoup overpayments, but no longer with the sort of cruelty that would put elderly people under a bridge for not being able to get back to us.

Senator SCOTT. Have you got—have you got ahead of it—

Chairman WHITEHOUSE. I think—at this point I think I need to let Chairman Wyden have his time?

Senator SCOTT. Yes sir, and I will follow up with you on those things.

Commissioner O'MALLEY. Yes sir. We have done a lot of unpacking of that.

Chairman WHITEHOUSE. Thanks, Senator Scott. Chairman Wyden.

STATEMENT OF SENATOR WYDEN

Senator WYDEN. Thank you, Chairman Whitehouse, and let me just say to my colleague and others, the number one issue in the confirmation hearings for the Commissioner was this overpayment question. Number one, and I think Senator Johnson, Senator Grassley, all the Members here understand that.

You know, back in the day when I was director of the Gray Panthers, the problem was modest but growing. Now it has mushroomed out of sight, and here is the question I have, because we have all been talking about that House Republican budget proposal.

And as my staff has examined it with the kind of across the board cuts, it would make it harder to do the bipartisan work on overpayments that we talked about in the Finance Committee, because here is what is going to happen. I say to my colleague Senator Scott just real quickly, what will happen in Florida, Oregon, anywhere else, people who bump up against this bureaucratic water torture of overpayments want to get on the phone, they want to talk to the agency and the like.

If the House Republican proposal goes through, it is my understanding across the board it could make it harder for you to continue to keep that bipartisan promise you made to Senator Johnson and Senator Grassley, Whitehouse, all of us in the Finance Committee; is that correct? I mean it would make it harder for us to do this priority that was the number one concern in your confirmation hearing?

Commissioner O'MALLEY. Mr. Chairman. Do we call you Mr. Chairman here? I guess we call you Chairman.

Senator WYDEN. Call me Ron.

Commissioner O'MALLEY. Everything that you said is absolutely true. What we notice and Senator Scott asked me about the causes of the overpayments. Part of it was a bit of a backlog from the pandemic. Nobody wanted to tell people they had—so we had—and other nations that have similar programs to our also experienced that.

But the other part of it was the short staffing meant that not only was it harder for people to get through to us to work out a repayment; it took us longer to catch up with it. Therefore the

overpayment amount, as months ticked by before we caught up with it, went up and up and up.

So our inability to catch up to the inadvertent mistakes, it is not as if we were making them. We did look at this in excruciating detail. It was not as if we were making more mistakes, but because it took us longer to catch up to them, it was a bigger burden for the beneficiaries to suddenly have to repay.

So the House cutting us by half a billion dollars would undo much of that progress that we have made to put on the flags and alerts, because you still need people to work out the repayments.

Senator WYDEN. Very good. I want to wrap up my remarks as Chairman of the Finance Committee to repeat what I said earlier, and it touches on what Chairman Whitehouse was talking about. We want to work in a bipartisan way on both of the big issues of our time.

The Commissioner is talking about the major problem today, which is these overpayments. We want to derail this ill-advised House proposal to not make things worse. But on the question of revenue, I want my colleagues to pick up on what the Chairman and I have both been saying, is that we know that ultra-wealthy Americans are avoiding nearly \$2 trillion in taxes every ten years, and this would help us make it to the end of this century.

And we can work on this in a bipartisan way. We can deal with both of these issues in a bipartisan way. I just want to make it clear that my door is open. We have got Finance Republicans here, but Members of both sides of the aisle who are not on the Finance Committee are invited to work with us on both of these kinds of issues.

Because what Chairman Whitehouse has been able to do today is allow us to cover what is important within the budget frame.

We are fortunate in the fact we have got Finance Committee folks who are here to talk about the future, which involves this question of revenue, and we will hear guests from the second panel doing that. So this is an opportunity today to make real, bipartisan progress in both of these areas, service and revenue for the future.

I want to secure that kind of work around here. Thank you, Mr. Chairman.

Chairman WHITEHOUSE. Much appreciated. As most viewers will understand, the Budget Committee has very specific responsibilities related to the actual budget process here in the Senate under the Budget Control Act, and we can put the spotlight on a lot of issues that will help with future budgets.

But the actual legislative authority in this area is over at the Finance Committee under Chairman Wyden. So his offer to all of us to get working on this is truly significant, and I am grateful to him for making it. Next is Senator Johnson, followed by Senator Kaine.

STATEMENT OF SENATOR JOHNSON

Senator JOHNSON. Thank you, Mr. Chairman. I would like to take my opportunity to just kind of go back and take a look at the historical conception of Social Security. It was never intended as a welfare program; correct?

I mean this was people who were planning for retirement, so this was a paternalistic move on the part of the government to say we

are going to force you to save. We are going to create this Trust Fund, not invest real assets. Just, you know, we spent that money, it is gone. We invested in U.S. government bonds, which are relatively low rate of return instruments and by the way, have no value to a federal government agency.

We have got to—you know, when the trustees turn that over, we just have to float another bond; correct? But anyway, when we first initiated—by the way, isn't that the basic concept of Social Security? You are going to pay in. We are going to save this money for you, and then you are going to pay it out in retirement. Isn't that the basic concept? And again—

Commissioner O'MALLEY. That concept is true. The notion that it was paternalistic, I think Frances Perkins would disagree with.

Senator JOHNSON. Okay. So set that aside. But again, it is supposed to be—

Commissioner O'MALLEY. Yes sir. A pay-as-you-go.

Senator JOHNSON. You pay it in, you earn money in investment, and then you get the money out, right?

Commissioner O'MALLEY. Well, kind of yes.

Senator JOHNSON. Back then it is—

Commissioner O'MALLEY. A pay-as-you-go program.

Senator JOHNSON [continuing]. It was a pay-as-you-go system?

Commissioner O'MALLEY. Yes sir.

Senator JOHNSON. Back then, it is kind of hard to get the exact number of workers versus beneficiaries. I have heard as high as 150 to 1, 30 to 1, whatever. It was a high number of workers.

Commissioner O'MALLEY. 2.8 to 1 right now.

Senator JOHNSON. Right now. But it started out as 30, 40, a lot of workers for every beneficiary, with a life expectancy of 61.3; correct?

Commissioner O'MALLEY. Yes sir.

Senator JOHNSON. And the retirement age, that said, is something like 62?

Commissioner O'MALLEY. Yes sir.

Senator JOHNSON. So you have got a lot of workers paying into beneficiaries, with the life expectancy not even ever hitting that retirement age. So that is a pay-as-you-go system that is going to work. Okay. A lot of people paying in, very people—very few people coming, you know, getting the benefits.

Now of course that has flipped. We have far fewer workers, 2.8 to 1, and the life expectancy is now 77.5. So it has increased 16 years—

Commissioner O'MALLEY. Except for some Native Americans, for whom it is still 42 years.

Senator JOHNSON. Okay. But again—but again so—

Commissioner O'MALLEY. And for people that work hard—

Senator JOHNSON. So it has increased 16 years and how much have we adjusted the retirement age over that time period? A couple of years, right?

Commissioner O'MALLEY. From 62 to 70.

Senator JOHNSON. So again. We have not kept up with reality, and now the solution here is to really kind of break with the original concept of this being a you pay into the system and you get what you pull out. And you know, I would like to end this on the

record, without objection, from I guess our people serving as Chairman right now.⁴

Chairman WHITEHOUSE. Without objection.

Senator JOHNSON. This is an actuary—this is a—you are getting a donut. This is an actuarial note by the Social Security system. Money's worth ratios under the OSA—Old Age, Survivors and Disability Insurance (OASDI) program. But this is interesting, because it shows that if you are a low income worker, you get more than you ever put in?

Commissioner O'MALLEY. Correct.

Senator JOHNSON. Okay. But if you are a higher income worker, you are going to get a lot less. So we have—

Commissioner O'MALLEY. Correct.

Senator JOHNSON. Correct, right?

Commissioner O'MALLEY. Yes. It is intended to keep people out of poverty.

Senator JOHNSON. I mean it is a big long table and it is, you know, very complex. But one example would be a single person that has been paying in the maximum rate all his life, will get about 70 percent of what he put in. Is that—I mean is that roughly accurate?

Commissioner O'MALLEY. I do not have the benefit of the table.

Senator JOHNSON. I mean it goes—

Commissioner O'MALLEY. That I trust that you are reading off of it.

Senator JOHNSON. It literally goes as low as 54 percent for—54 cents on every dollar invested. So the reason—

Commissioner O'MALLEY. For the very highest earner.

Senator JOHNSON. The reason I bring that out is, you know, the Chairman's solution to this is tax the wealthy. Well again, anybody who has just hit like \$100,000, I mean the maximum. What is the maximum amount of earnings right now subject to the tax?

Commissioner O'MALLEY. \$168,800, I do believe.

Senator JOHNSON. Ok so if you have been paying all that in, you are only going to get 54 to 70 percent of the benefits, and now the Chairman, what he wants to do is increase people's taxes to basically about 57 percent, when the Tax Cut and Jobs Act expires.

That would be the top marginal rates under the Chairman's proposal, 57 percent. That is federal tax. Tack on top of that state. I think I will ask the next panel. I mean is not that a disincentive to work? Is that going to work? So again, my point is just laying out the historical perspective. The concept was you pay in, we invest.

They did not invest. That money is spent, it is gone, and then people, particularly the higher end, they are not going to even get close to what they put in. And the Chairman's solution is raise taxes.

I think you are not going to get even close to the revenue you think you are going to get, because you are going to create a huge disincentive for work, and you have completely busted the concept of the fact that this is a forced retirement savings plan, as opposed

⁴Statement submitted by Senator Johnson appears in the appendix on page 109.

to kind of just general welfare program. That is my point. Thank you, Mr. Chairman.

Chairman WHITEHOUSE. Point taken.

Commissioner O'MALLEY. May I just offer to—Senator, I enjoyed our talk and I really appreciate you giving me the time to meet with you and talk about these things. I would love to come back around. There are some things that you said in there that I would not agree are historically accurate, including whether the surplus money in the Trust Fund that has been paying benefits is worthless.

I mean if it is worthless, then the \$20 in my wallet is worthless, because it is backed up by the full faith and credit of the United States of America. But I would love to come by—

Senator JOHNSON. I said it has no value to the federal government, because the federal government when they take that bond just has to issue another bond?

Commissioner O'MALLEY. Well—

Senator JOHNSON. It is literally more like you have a piece of paper that says \$20 and you are saying I have got 20 bucks. No, you do not. You just have a piece of paper that says \$20.

Commissioner O'MALLEY. Well, I bet I can go to the cafeteria with it after this and they will—I think what you are distinguishing in as dollars that are owed to the Trust Fund, versus dollars that have to be borrowed in public debt.

Having said all that, Social Security does not contribute to the debt. Social Security is a pay-as-you-go system, and in point of fact there is a—Warren Buffet stops paying into Social Security 30 seconds into the New Year, and the people that clean these buildings pay in all through their paychecks.

I do not think Warren Buffet is going to miss the fact that he is not getting as much back on what he has put in, because it is frankly not as important to him.

Chairman WHITEHOUSE. Senator Kaine.

STATEMENT OF SENATOR KAINE

Senator KAINE. Governor, good to see you again. You and I had the wonderful opportunity to serve as mayors of two great cities at the same time, and governors of two great states at the same time, and I really cherish the earlier chapters in our working relationship. You are so well-suited for this position.

I am going to probably ask you questions about something that nobody else will talk to you about. I want to talk to you a little bit about Social Security Disability, and I know that that is not the main reason for the hearing. But I am not sure I am going to see you at a—

Commissioner O'MALLEY. Well, it is a big part of what we do.

Senator KAINE. Right, and I am not sure I am going to see you at another hearing. Two of us in the Senate have been pretty public about dealing with Long COVID symptoms, Senator Young and I. Thankfully mine are annoying but not debilitating.

But because Senator Young and I talk about our experiences, our office has become kind of a repository for others who are seeking help. They like the fact that they have Senators who acknowledge that they are dealing with a real condition, and one of the issues

that a lot of folks with serious Long COVID deal with is Social Security Disability challenges.

Seven colleagues and I wrote a letter to you all last month, just asking about a number of questions that we are hearing from folks attempting to maneuver the system. My wife and I have a friend in Richmond who is a single mom with three special needs kids that she has adopted.

We have helped her negotiate, because of her serious Long COVID symptoms, the Social Security Disability process, and it has been very, very difficult even for two lawyers who know a lot about this stuff, to help our friend go through the process.

We asked just some questions about Social Security Administration tracking and publishing data on Social Security Disability Insurance (SSDI) applications relating to Long COVID, on expanding disability policy rules to include criteria for evaluating claims regarding Long COVID.

There was a report that was issued earlier this summer by the—I believe it was the National Science Foundation. The National Academy of Science Engineering and Medicine convened a panel that met frequently and then issued a 200 page document outlining long COVID's reach.

The Social Security Administration is looking at that report. It only came out in June, and the agency I understand is in the process of updating its Long COVID guidance. Could you just share a little bit about what the agency is doing with respect to Long COVID claims?

Commissioner O'MALLEY. Yes sir. And Senator, thank you. I saw your letter when it came in and I told everybody "He used to be a mayor, so he will follow up," and we have been following up as well. I talked about the dynamism of our country, our history, our demographics, but also the dynamism of the disability program as well, because of your good work in Congress, the things you have done on the Americans with Disabilities Act.

The accommodations that have been made for people have made us entirely have to rethink a lot of the aspects about what functions are required for new jobs that are created in this world. And we saw a slight dip in the numbers of people actually applying for disability, I think, because of those accommodations.

So back to the call of your question and the point of the long term COVID. Long term COVID effects, as you pointed out yourself, I mean you have experienced some of those symptoms. They are obviously not debilitating and they have not affected your ability to function and to earn, you know, Substantial gainful activity (SGA) as a United States Senator and fulfill your duties.

For other people like your friend, it is a lot more severe. There is a five point process in our statute, which sometimes is confusing to the general public, and I have had to learn it myself as a generalist. One of the steps in that process is do you have a recognized medical listing that has been recognized to have certain debilitating effects?

But even if you do not, if we get to the next step in the process, the fourth step—about your ability to function and that your physical, your increasingly, your mental agility/acumen, you know, you

can still be judged to be worthy and be given an allowance on a disability.

What we see within the long term COVID is a pretty wide spectrum of people who do not have it affect them much at all in their functioning, and those who do. So we are in fact taking a look at our policies and we will be responding to your letter and the particularities of the letter by its due date.

And I want to assure you that we have heard you, that we do want to work with you, and to anyone who is suffering from long term COVID, the biggest impediment to your getting a decision is not the fact that it is long-term COVID. It is the fact that we are struggling to serve people with staffing reduced to 50 year lows.

Senator KAINE. Thank you. I yield back, Mr. Chair. I appreciate your answer.

Chairman WHITEHOUSE. Senator Merkley.

STATEMENT OF SENATOR MERKLEY

Senator MERKLEY. Thank you, Mr. Chairman, and thank you Governor O'Malley. So my colleague from Wisconsin pointed out that folks who are at the lower end of the income receive more than they put in; at the higher end receive less. And Social Security always kind of has this combined part savings/part insurance design. So is that basic structure that he accurately described, is that a flaw or is that a future?

Commissioner O'MALLEY. I think it was more a practice of how our economy worked 40 years after Social Security, 50 years after Social Security was put in place. We always talked about the three-legged stool. You would have Social Security. That is America's guarantee to one another that we are not going to let anybody live in poverty in their golden years.

The second leg of the stool was oftentimes we used to say your own private pension from your private employer, and then the third one being your own personal savings. Increasingly what we have seen in our economy where the vast majority of Americans saw no real increase in their earnings for the last 30 years, was that income was really earned at the top spectrum and the private sector started doing away with private pensions, leaving people with only the one leg left in the stool.

Senator MERKLEY. Well, I would describe it was a feature, to answer my own question, and as you have described it. I know back when I was working for Habitat for Humanity and had no retirement plan, I would have been on the lower end of that world quite possibly, and but as life evolved and I am serving here, I am probably on the other end, where I will probably receive less than I put into it.

That seems to me like America working together to have partly an insurance element to this plan, to make sure the lowest income Americans are not out on—out on the street.

Commissioner O'MALLEY. Yes sir. I misunderstood your question. That is a feature of the program.

Senator MERKLEY. Thank you. I wanted to turn to the description of when the Trust Fund reaches zero. We depend on incoming revenues to pay off benefits, and I know the now of the estimate, if I read the brief right, was about 2035 if that happens.

Commissioner O'MALLEY. Yes sir.

Senator MERKLEY. And we are 11 years out from that, and that we would have about 80 percent of the current benefit levels could be sustained with incoming revenue. That is unacceptable that we would be in that position.

Is it smarter for us to fix that now and have 11 years in which we boost the Trust Fund, or wait till the last desperate second in 2035, when we are on the verge of a 20 percent cut in Social Security benefits across America?

Commissioner O'MALLEY. The answer to that is better sooner than later. If in your own family or your own family owned business, you were told in 11 years you are going to face a 17 percent shortfall in revenues, you would want to start acting now in order to head that off before you come up to it.

Senator MERKLEY. It makes a lot of—a lot of sense to me, and I encourage all of us to actually act now, rather than waiting. Now we hear sometimes a fair amount of whining from rich Americans saying hey, we get out less in Social Security than we put into it, and yet we have these other programs, including IRAs, where affluent people put into a tax shelter enormous sums.

And we have, for example, the Chief Operating Officer (COO) of Walmart. He has in his Roth Individual Retirement Account (IRA) or some version of IRA \$170 million. We have got Peter Thiel with \$5 billion in his IRA, \$5 billion. And because there are these tricks that have been allowed, these loopholes that allow you to do things like put in stock options, value them as basically worthless and yet they have enormous value, and then suddenly your IRA.

What social value do we have in tax sheltering hundreds of millions of dollars for the richest Americans for retirement? They are already rich, so they already have retirement all set. There is really—I do not see much, much value in that.

Why are we enabling them to dodge taxes to the tunes of hundreds of millions of dollars in these accounts. And if we fix that so that we protect IRAs, so that people can have a decent retirement and not have it be a tax dodge for mega millionaires, could not we fund a good share of the Social Security shortfall?

Commissioner O'MALLEY. Senator, you are trying to drag me into the policy arena, which I realize is your prerogative and not mine.

Senator MERKLEY. And I invite you to join me in that.

Commissioner O'MALLEY. I believe—I will say this.

I think Social Security is the greatest act of compassion and caring for one another that any freedom-loving people have ever put into place for one another, and millions of our seniors live only on Social Security right now.

Senator MERKLEY. Well, thank you and I will just close with that point, that Social Security is only part of the structure in which we help with retirement, and more affluent Americans benefit enormously from tax-sheltered retirements, sometimes being able to stash hundreds of millions of dollars away that they are not experiencing taxes, and that that is way—a benefit way beyond what ordinary people get from Social Security.

Chairman WHITEHOUSE. And now for the hearing's Marylander on Marylander moment, Senator Van Hollen.

STATEMENT OF SENATOR VAN HOLLEN

Senator VAN HOLLEN. Thank you, Mr. Chairman, and welcome Commissioner. I do want to take this opportunity to thank you for your great service, first as mayor of Baltimore and then governor of our great state of Maryland, and now as Commissioner of the Social Security Administration.

And as you know, our state is proud to be home to the Social Security Administration and all the good people who work there. You have the headquarters at Baltimore. You have got field offices around the country with a critical customer service role, averaging around 500 million interactions annually.

To ensure that Americans get the benefits they have earned and have the disability claims processed as quickly and as fairly as possible.

You and I have talked about the chronic underfunding of the Social Security Administration for many years. Despite that, you have made the best of limited resources and an expanding set of requirements. I mean more Americans on Social Security, even with limited budgets.

I also serve on the Appropriations Committee. We reviewed your request. I was sorry we could not meet the full request, but we tried to get close. Since we are in the budget season and since, you know, we have a risk of a government shutdown at the end of the year and we have to resolve at the end of this month—and we have to resolve other issues.

Could you just describe the impact of the House Republican budget cuts on your operations, if they were ever to go into effect? I saw a letter that you wrote to the Chairman of the House Appropriations Committee, to Chairman Cole.

But if you could just take a couple of minutes to distill what the harmful consequences of those cuts would be on your—the Social Security Administration's ability to serve the American public?

Commissioner O'MALLEY. Yes sir, thank you. And thank you for your service, Senator. The House cut of a half a billion dollars would be devastating to customer service at Social Security, and the sad thing is it is just at a time when notwithstanding the daunting mismatch between ever-rising customers and reducing our staffing to 50 year lows, we are actually making some good progress.

We have cut in half the wait times on the 800 number. That would be undermined. We have been able to reduce the backlog at the ALJ level to a lower rate than we have seen in modern memory. We have talked earlier about the overpayments that we have made some great strides in addressing.

But at the DDS level, and nothing underscores it more than this, our Public Actuary estimates that more Americans die today awaiting their initial disability determination than ever before in the history of that program that Dwight Eisenhower signed into law.

So I do not think anything can more underscore just how damaging the customer service reductions have been for people that are truly in need. If the House cut of a half billion dollars to Social Security's customer service were to go through, it would mean 20 furlough days throughout the agency.

It would mean that our IT funding, which is already, you know, it is not as if we have been increasing IT funding while Congress has been reducing staffing, it is a very old legacy system with systems built on top of the legacy systems. We would only have a budget to really keep the lights on, not to do anything that would improve it or improve its resiliency, let alone customer service.

It would mean a further reduction of 3,400 staff from what we already see is the mismatch between rising customers and declining staff at the Social Security level. It would be 1,500 fewer of those initial DDS examiners, the ones that people are waiting so long to make their initial determination.

In our own state of Maryland, the wait time for an initial disability determination is 361 days. And if appeal, if you are denied, you have to go back to the same office and wait another 361 days. So the House mark would be devastating to us. I hesitate to use the word “catastrophic” because I have seen this agency somehow continue to keep its nose above water.

But it would definitely be a huge hurt to people throughout the country, for the customer service they have already paid for.

Senator VAN HOLLEN. Well, thank you for painting that picture. I am pleased to say in the Senate Appropriations Committee, we worked on a bipartisan basis to put forward the budget that we did, which again does not fully meet the mark, but is certainly a lot better than what would happen with the House budget.

Commissioner O'MALLEY. And people, the SSA employees, Social Security employees, Senator, saw that bipartisan action you took and it—the bipartisan rebuke to cutting Social Security's customer service I think was heard throughout the country, and was a great encouragement to our workers.

So I thank you for on their behalf for what you did in both parties in the Senate.

Senator VAN HOLLEN. Thank you.

Chairman WHITEHOUSE. We had not only Senator Van Hollen, but Senator Merkley and Chairman Murray, very significant folks on the Appropriations Committee here in the Senate. I am particularly grateful to them with their work. With that, Commissioner O'Malley, thank you for being here.

Commissioner O'MALLEY. Thank you, Mr. Chairman.

Chairman WHITEHOUSE. You are excused. I will ask the team to allow you to clear your materials, and then call up our next panel of witnesses, and while that task at the table is being performed, I will make my introductions of the next four witnesses on the second panel.

We will have Rebecca Vallas, the CEO of the National Academy of Social Insurance, a non-profit that works to improve public understanding of how social insurance contributes to economic security. Previously, she was the managing director of the Poverty to Prosperity Program at the Center for American Progress, and served as a senior fellow at the Century Foundation and we are delighted that she is here as a witness.

Next, we will have a personal favorite of mine on the panel, Mr. Roger Boudreau. Mr. Boudreau is president of the Rhode Island American Federation of Teachers, Retirees, Local 8037R, and a

member of the American Federation of Teachers Standing Committee on Retiree Issues.

Mr. Boudreau has also served as a board trustee representing retirees on the Employees Retirement System of Rhode Island, and as chairman of the Rhode Island Public Employees Retiree Coalition. All of this after serving for 28 years as a public school teacher in Lincoln, Rhode Island. Roger, welcome. Delighted that you are here.

Then we will hear from Dr. Molly Dahl, the Chief of the Long Term Analysis Unit at the Congressional Budget Office, a position she has held since 2020, where she oversees CBO's annual long-term budget outlook report and crucially the agency's projections for the long-term health of Social Security.

She holds a Ph.D. in Economics from the University of Wisconsin. Dr. Dahl, we are glad you are here.

Our final witness is Shai Akabas, Executive Director of the Bipartisan Policy Center's Economic Policy Program. In that capacity, Mr. Akabas oversees work on a variety of economic issues including fiscal policy, retirement and financial security, labor market policy and the financing of higher education. Mr. Akabas, welcome.

Dr. VALLAS. Each of you will have five minutes for your testimony. Your full statements will be made a matter of record, and then we will have a chance to ask you some questions. So if you would please proceed.

STATEMENT OF REBECCA D. VALLAS, CHIEF EXECUTIVE OFFICER, NATIONAL ACADEMY OF SOCIAL INSURANCE⁵

Ms. VALLAS. Thank you so much, Mr. Chairman. Chairman Whitehouse, Ranking Member Grassley and Members of the Committee, thank you for the opportunity to testify today.

My name is Rebecca Vallas, and I have the privilege of serving as the chief executive officer of the non-partisan National Academy of Social Insurance. My testimony today reflects my own views, and may not reflect the views of the Academy's members.

As the Chairman has noted, Republicans and Democrats alike agree it is essential that we keep Social Security's promises to the American people, and leaders of both parties are well aware that benefit cuts are toxic on both sides of the aisle.

So one of the questions I am most frequently asked about Social Security is can we secure the program's future without cutting already modest benefits. And as Chairman Whitehouse's legislation demonstrates, the answer is yes.

It is against this backdrop that I will offer three main points today. First, Social Security is key to the economic security of American workers and families, and policymakers should center the well-being of the program's current and future beneficiaries as they consider policy options to secure the program's future. Benefits are already incredibly modest, as we have heard today. The average retirement benefit is just over \$1,800 per month, yet for most retirees they are the backbone of retirement income.

What would the picture be without Social Security. Well, according to new Census data released just this week, as we have already

⁵Prepared statement of Ms. Vallas appears in the appendix on page 64.

heard more than 28 million more American adults and children would live below the poverty line. Nearly four in ten older adults would be officially poor today if not for Social Security, compared with one in ten.

When we talk about Social Security, it is easy to get lost in facts and figures, and most of the hearing today has been in that terrain. But all too often, that is where ivory tower debates around Social Security stay.

But Social Security is not just a government program, and it is not just a math problem to be solved. It is reflection of our shared values as Americans, and a commitment that we make to each other. The reason there is so much bipartisan support and love for this program is that we feel this, not just at a financial level but at a human and a spiritual level too.

When you ask people receiving Social Security what it means for them and what they would do if it were cut, you hear that they would not be able to pay their bills. They would not be able to live independently, that they would have to work until they die. These are the people that we must keep front of mind as we think about the future of this vital program.

They are our grandmothers and our grandfathers, our parents, our sisters and brothers, and friends and neighbors and some day, if not already, they will be us. Which brings me to my second point, and that is that keeping Social Security's promises to current and future generations will require that policymakers strengthen the program's revenues to ensure that we are not asking low and moderate income workers to shoulder the costs.

While the Trust Funds currently have \$2.8 trillion in reserves as we have heard today, they are projected to be depleted by 2035 if policymakers do not act. In that event, we would see an across-the-board benefit cut that I know none of you want to see jeopardize the financial well-being of millions of your constituents.

So what are policymakers' options? Address the program's revenues or cut already modest benefits. That is what it comes down to. Now my time is short so I will refer you to my written testimony for an overview of some of the most frequently discussed proposals in both categories, and their relative tradeoffs for the program's financing and beneficiaries.

But the top line is this. The program's financing gap can be more than fully addressed without cutting benefits, and a key economic trend worth considering as we evaluate policy options. Is that due to rising income inequality, a growing share of high earners' wages now fall outside that cap on contributions that the Commissioner spoke about. It slipped from 90 to 82 percent of covered wages, a 50 year low.

Had the cap remained fixed at 90 percent, the Trust Funds would have more than \$1.4 trillion in additional reserves today. That would close more than a quarter of the current shortfall.

Now reforming Social Security's payroll tax cap and treating investment income and income from pass-through businesses like wages for Social Security purposes, as proposed in Chairman Whitehouse's Fair Share Act, could close more than 100 percent of the long-term financing gap.

By contrast, policymakers should consider with great caution proposals to further raise the retirement age. The Academy's Task Force on Older Workers Retirement Security found last year that those types of proposals would cause serious hardship for low income workers, who have not seen the gains in life expectancy that people at higher incomes have.

And that brings me to my third and final point, which is that delivering on Social Security's promises to the American people, as you heard on the first panel, requires ensuring that SSA has the resources it needs to deliver high quality customer service. Commissioner O'Malley deserves significant credit for making improving Social Security's customer service a top priority.

But Congress must do its part too, to ensure that your constituents are all able to access SSA's critical programs when they need them most. The human consequences of inadequate funding to this agency are as preventable as they are shameful.

Thousands of people die every single year waiting for disability benefits. It does not have to be this way, and you have the power to change it. Thank you for inviting me to be part of this important conversation, and I look forward to answering any questions that you have.

Chairman WHITEHOUSE. Thank you so much. Mr. Boudreau, welcome.

STATEMENT OF ROGER BOUDREAU, PRESIDENT, RHODE ISLAND AFT/RETIRES, LOCAL #8037R⁶

Mr. BOUDREAU. Thank you, Mr. Chairman, Chairman Whitehouse, Ranking Member Grassley and Members of the Committee. It is an honor to participate in this important meeting.

Mr. Chairman, I would especially like to thank you for the opportunity to speak on behalf of my fellow Rhode Islanders who rely on Social Security to make ends meet in retirement. In my capacity as president of the Rhode Island American Federation of Teachers (AFT) Retirees chapter and Vice President of our state's chapter of Alliance of Retired Americans, I have worked and advocated for and with Rhode Island seniors from across our great state since retiring from the teaching profession.

My activism is driven by the belief that older Americans deserve to retire with dignity after years spent in the workforce and caring for their families. Before retiring, I worked for 28 years first as a middle school and then high school English teacher in the Town of Lincoln Public Schools in Rhode Island.

Social Security plays a significant role in the lives of so many older citizens in Rhode Island and around the country. Since its enactment in 1935 by President Franklin Roosevelt, Social Security has been transformative. When it became law, an estimated 50 percent of American seniors lived in poverty. Nearly nine decades later, elder poverty hovers around ten percent.

Social Security Administration estimates that 97 percent of older adults ages 60 to 89 either receive or will receive benefits. That universality provides some level of retirement security at all in-

⁶Prepared statement of Mr. Boudreau appears in the appendix on page 74.

come levels, but it is especially important for lower income earners for whom in many cases it is the sole source of income.

Without Social Security benefits, four in ten seniors, as you have heard, would become—would have incomes that fall below the poverty level. In Rhode Island, over 230,000 people, more than 20 percent of our state's population, receives Social Security benefits.

Nearly half of Americans age 55 and older have no retirement accounts. When I speak with retired and older Rhode Islanders and other seniors around the country, the future of Social Security and Medicare is always paramount. It does not matter if they have worked in factories, offices, hospitals or classrooms. The health of these programs is the top priority.

When we talk about Social Security, it is often cast as an issue only impacting older Americans. But we should not forget that it is also the largest anti-poverty program for children in the United States. As someone who spent my career teaching young people, I would be remiss not to remind the Committee that the benefits Social Security provides for children when they have a parent die or become severely disabled can make all the difference in the world.

Ask any teacher and they will tell you that problem-solving, no matter what subject they teach, is one of the key skills you work to instill in your students. The challenge protecting and strengthening Social Security is a problem with a clear solution.

Finally, ensure that the wealthy pay their fair share in taxes. To this end, it is time for Congress to enact the Medicare and Social Security Fair Share Act, which would ensure solvency for the Social Security Trust Fund for the next 75 years by taxing all income over \$400,000.

This would provide enough revenue to preserve the program with room to strengthen and expand Social Security in the following ways. We could raise benefits for the poor Social Security recipients, and the oldest recipients.

We could finally do away with the windfall elimination provision and the government pension offset, which hurts so many retired public servants across Rhode Island and the country by passing Senate Bill 597, the Social Security Fairness Act, legislation co-sponsored by more than 60 Senators that recognizes the unfairness and importance of repeal.

And I want to thank Senator Murray for referencing her 40,000 constituents who are among almost three million public servants who are affected by this, and I want to thank the Chairman of this Committee for co-sponsoring that bill. We could restore the students benefits up to age 22 for children of disabled or deceased workers, and we could strengthen benefits for people with disabilities.

The wealthy finally paying their fair share is long past due, and now is the time to act. If federal lawmakers do nothing, millions of Americans will see a cut in their earned Social Security benefits. The impending threat of Social Security's benefit cuts, especially to those most financially vulnerable, should be totally unacceptable when multiple options to address Social Security funding are available.

While Congress often awaits until the 11th hour to address critical issues like preserving the stability of the Social Security Trust

Funds, Mr. Chairman, you understand that many of the people I represent are facing real challenges in making ends meet in retirement. Many of us have been public servants dedicated to doing our part in building and improving our communities.

Rhode Island retirees and seniors deserve dignity and respect, not uncertainty about whether they will be financially secure in their retirement years. Thank you again for the opportunity to be heard on these most critical issues for senior Americans.

Chairman WHITEHOUSE. Thank you very much, Roger, Mr. Boudreau, and thank you for coming down from Rhode Island for this. Dr. Dahl.

**STATEMENT OF DR. MOLLY DAHL, LONG-TERM ANALYSIS
UNIT CHIEF, CONGRESSIONAL BUDGET OFFICE⁷**

Dr. DAHL. Chairman Whitehouse, Ranking Member Grassley and Members of the Committee, thank you for inviting me to testify about the Social Security program. Social Security faces a significant financial challenge. CBO projects that in ten years, the resources available to the system under current law will not be sufficient to cover scheduled benefits.

In CBO's projections, the balance of the Old Age and Survivors Insurance Trust Fund declines to zero in fiscal year 2033, and the balance of the Disability Insurance Trust Fund declines to zero in 2064. If the two Trust Funds were combined, they would be exhausted in fiscal year 2034, ten years from now.

In the first year after the Trust Funds are exhausted, the resources to pay benefits would be 23 percent less than the amount of scheduled benefits, CBO projects. The shortfall would increase over time. About 82 million people, roughly one-fifth of the population will receive Social Security benefits in 2035.

If all benefits were reduced by the same percentage, lower income households would reduce their spending by more, and increase the amount they work by more, measured in percentage terms than households with higher lifetime incomes. Legislative action would be needed to avoid this scenario.

Looking over a longer time horizon, the actuarial deficit over the next 75 years would equal 1.5 percent of GDP or 4.3 percent of taxable payroll—the total payroll subject to the Social Security tax. That is, scheduled benefits could be paid through 2098 if payroll tax rates were increased from 12.4 percent to 16.7 percent, a relative rise of 35 percent CBO projects.

Alternatively, a reduction in scheduled benefits of 24 percent would permit full payment of those smaller benefits through 2098. A combination of changes to taxes and benefits or relying on resources from the Treasury's general fund could also suffice. Policy-makers can have different changes apply to people of different income and ages. Additional changes would be needed to ensure solvency beyond 2098.

The aging of the population is a key factor affecting the finances of Social Security. The number of people age 65 or older who are less likely to work and pay payroll taxes, and who are generally eligible for Social Security benefits, is projected to grow faster than

⁷Prepared statement of Dr. Dahl appears in the appendix on page 76.

the number of people ages 25 to 54 who are more likely to work and to pay payroll taxes.

Population growth is determined by births, deaths and net immigration. Fertility in our projections remains lower than replacement. We project that life expectancy will continue to increase, and immigration is an increasingly important part of growth of the population and the labor force. All of these changes affect the financial status of Social Security.

A feature of CBO's work is that the demographic and economic projections used in our Social Security analysis are consistent with those used in the agency's baseline projections, cost estimates and other analyses.

In closing, let me note that any projections over a horizon of seven decades is uncertain. But it is clear that action is needed to make Social Security financially sustainable. I am happy to answer questions.

Chairman WHITEHOUSE. Thank you very much, Dr. Dahl. Mr. Akabas, please proceed.

**STATEMENT OF SHAI AKABAS, EXECUTIVE DIRECTOR,
ECONOMIC POLICY PROGRAM, BIPARTISAN POLICY CENTER⁸**

Mr. AKABAS. Thank you, Mr. Chairman, Ranking Member Grassley and distinguished Members of the Committee. I appreciate you inviting me to testify here today about the sustainability and efficacy of Social Security. I commend the Committee for focusing on this critical issue.

My name is Shai Akabas, and I am the Executive Director of the Economic Policy Program at the Bipartisan Policy Center, a mission-focused organization helping policymakers work across party lines to craft bipartisan solutions.

Social Security is the foundation upon which most Americans sustain their lives in retirement. For generations, it has paid out benefits to people with disabilities, older people and their family members, lifting millions of households out of poverty and providing essential financial support.

But today, the program faces a serious challenge, and it is one that we have known about for many years. For several decades, Social Security took in more income, mainly through payroll taxes, than it paid out in benefits, building up a large surplus in its primary Trust Fund, the one for Old Age and Survivors Insurance.

That dynamic has now flipped. Benefit payments are outpacing payroll tax revenues, depleting the Trust Fund balance. Each year that gap grows wider, and here is the bottom line. Unless Congress acts, the Old-Age and Survivors Insurance (OASI) Trust Fund is heading for depletion in less than a decade, in 2033 according to the latest projections.

At that point, approximately 70 million beneficiaries would have their benefits cut by 21 percent. Let me repeat. We are only nine years away from every single Social Security OASI recipient facing an indiscriminate benefit cut. For the median beneficiary, it would reduce their annual income by about \$4,500.

⁸Prepared statement of Mr. Akabas appears in the appendix on page 82.

The American people are rightly concerned about that possibility. As much as any of us can sit here and tell them that that cut will not actually happen, it is what the law says. Given this looming crisis, it is astonishing that we barely hear Social Security discussed at all in the 2024 campaign.

When the issue is raised, it is usually either in the context of proposals that would worsen the financial shortfall, or pledges to change nothing. These pronouncements from both sides of the aisle that we must protect Social Security from any reforms obscure a hard truth. A vote for the status quo is a vote to cut benefits for every single beneficiary starting in less than ten years.

With all that said, my goal today is to inject optimism into this Committee's work, because we at the Bipartisan Policy Center know that Social Security's financial challenge can be overcome. Before quickly outlining possible solutions, there are two principles that should guide any reforms to the program.

First, acting as soon as possible is paramount. The longer Congress waits to strengthen Social Security's finances, the more drastic the changes will have to be, and the more burden will fall upon those who play little or no role in generating the imbalance facing the program today. The lack of action by policymakers is unfair to the millions of American who are trying to plan for their retirement.

Second, any legislative action must garner significant bipartisan support. As you all know well, changes to Social Security require a Super Majority in the U.S. Senate. Lawmakers should abstain from pronouncements like no tax increases and no benefit cuts. These red lines only add obstacles to action.

Social Security's financial challenge affects nearly our entire society, and the solutions will require a broad-based approach. In 2016, Bipartisan Policy Center (BPC) convened a Bipartisan Commission on Retirement Security and Personal Savings, co-chaired by Kent Conrad, a former chair of this Committee, and Jim Lockhart, a former deputy commissioner of the Social Security Administration.

The Commission spent two years studying the state of American retirement security and issued a report with recommendations in six key areas, including Social Security. The package of Social Security reforms was projected by the chief actuary to make the program solvent for 75 years and beyond, avoiding the steep benefit cuts that are set to take effect.

It would also enhance benefits for vulnerable populations and give Americans certainty about what to expect from the program as they prepare for retirement. The package tackles Social Security's financial gap through a balanced mix of new revenue and benefit adjustments.

I would encourage you to review the 13 specific recommendations outlined in my written testimony, and would be glad to discuss them further during the Q and A. Critically, the Commission recommended this plan eight years ago. Since then, Social Security's financial challenge has grown, while the time to address it has shrunk.

To restore long-term solvency now, policymakers will have to phase in larger changes at a faster pace, or more realistically include some type of temporary borrowing as part of the solution.

The alternative would be an unprecedented departure from the pay-as-you-go structure of Social Security, instead of allowing the program to begin permanently drawing from general government revenue.

Not only would this sacrifice Social Security's special status and make the program compete for resources with other federal priorities, it would significantly worsen America's fiscal woes. This would be irresponsible policymaking.

I want to conclude by thanking the Committee once again for convening this important hearing, and continuing this essential work. Social Security's financial and demographic challenges are daunting, but they are not insurmountable if policymakers put aside their red lines and work across the aisle.

With continued leadership from the Members on this Committee and others, progress is possible. Together we can solve this challenge. I look forward to your questions.

Chairman WHITEHOUSE. Thank you very much. I have been pretty candid about my views about our Tax Code. I assert that our Tax Code has been corrupted by special interests, that powerful interests rich enough to pay for lobbyists and fund Super PACs have looted our tax system to make themselves even richer, and that we have both a moral and a financial obligation to de-corrupt the Tax Code.

So in my view, I see de-corrupting the Tax Code in order to shore up Social Security and Medicare for future generations as a twofer win. Very often in Congress, you have to balance one thing off against another. This strikes me as a win-win. Ms. Vallas, your comments on that?

Ms. VALLAS. Thank you for the question, Mr. Chairman.

Chairman WHITEHOUSE. Your mic.

Ms. VALLAS. It is like the modern day "sorry I was on mute" when you are in your Zoom meeting. Thank you for the question Mr. Chairman, and thank you for holding this hearing, because it is incredibly important that people consider the recent economic trends as I highlighted and as I had spoke about in much more detail in my written testimony, in which your bill also seeks to address as we think about the future of this program.

The two key recent economic trends that in my opinion warrant most significant consideration as we explore what are the relative trade-offs for Social Security's future and the policy levers available to this Committee and others, are both part of what I spoke to briefly before and which I will speak to a little bit more in depth now.

The massive revenue leak that Social Security now experiences because of growing income inequality and the large and growing share—

Chairman WHITEHOUSE. That was to be my next question. So let's focus for now on what the downside is of having people basically have to pay what they should, and clawback from big special interests all the exemptions that they have garnered for themselves in the Tax Code.

Ms. VALLAS. Well, I personally do not see a downside, Mr. Chairman.

Chairman WHITEHOUSE. Well, you and I agree on that then. So let us move on to income inequality. We have basically three tranches of income. You have got from zero to 168,000 on which you pay Social Security. You have got from 168 to 400,000, which is the band that President Biden has promised not to raise taxes in, and then you have 400,000 to income infinity and beyond.

And what we have seen is a larger and larger proportion of the total personal income of Americans move out of zero to 168 and into 168 up to infinity and beyond. And as that has happened, the share of total American personal income that supports Social Security has diminished, as more and more of the wealth and income of America has been diverted to wealthier and wealthier individuals and corporations.

Is that a pretty fair summary of the problem here?

Ms. VALLAS. It is a terrific summary Mr. Chairman, and it is a subject that has been a topic of some of my research over the years, because it has concerned me as well. And do not just take my word for it.

If you were to ask the chief actuary of Social Security, Steve Goss, if he were sitting here would tell you that that is the number one reason, as we heard from Commissioner O'Malley earlier, that we are now seeing reserve depletion projected to take place much earlier than was anticipated in 1983, the last time that Congress too significant action to change Social Security.

They thought they were adding 75 years at the time, and that reason—one of the core reasons, in addition to declining fertility rates and others, but one of the core reasons that that has not happened and that now we are having a conversation about 2035 instead, is because frankly we have more and more high earners who are seeing less and less of their earnings captured by that payroll tax cap as it slips.

So I refer to this as a revenue leak, and it is something that warrants serious consideration by this Committee.

Chairman WHITEHOUSE. Mr. Boudreau, we often think of Social Security as a program for seniors, and obviously it is an important lifeline for a great many seniors, particularly a great many seniors in Rhode Island. At the same time, young families who are planning their future have a question in their minds today about whether Social Security and Medicare will actually be there for them.

I would love to hear your personal experience, what it would mean to young members of unions, for instance, and the people you talk with about retirement issues. If young families could just like cross right off their worries list "Social Security and Medicare might not be there for me," what is the benefit to a young family of knowing that Social Security and Medicare will be there for them, secure and sound?

Mr. BOUDREAU. Thank you for the question, Mr. Chairman. I have a granddaughter who just graduated from college last June. My daughter and her husband are in their 50's. They are a little ways from retirement, but I know that Social Security is a significant part of their expectations for their future, as well as for the future of their daughter and my granddaughter.

It is a tremendous burden and worry, particularly for young people like my granddaughter, who with their friends and colleagues are concerned about that very question, whether Social Security will be there for them when they get to retirement age.

Many of them do not believe that it will, and there is a reason for that, and it has been expressed here today extensively. But that reason has an answer, and the answer is the bill that we are talking about. They should not have to worry about whether or not Social Security will be there for them when they reach retirement age.

This country made a promise to its citizens, and it needs to keep it to all of them.

Chairman WHITEHOUSE. Senator Johnson, and then Senator Braun, and then we will conclude, because we have a vote coming up.

Senator JOHNSON. So what I attempted to do in my first line of questioning was just lay out the basic design and concept of Social Security, which was again a forced retirement savings plan to provide for that individual's retirement, where the federal government was going to take the money, wisely invest it so that that money was available.

I completely disagree in terms of the reason for the problem now. The reason Social Security is in trouble is first of all, the age expectancy since its inception has increased 16 years, and we have bumped up retirement eligibility age two.

The other reason is that when originally designed, there was more than 30 workers to one beneficiary. Now we are down to 2.68, okay. The other problem is we did not save that money. I mean that money was spent. It is gone. It was not invested in assets that have value to the federal government. It was invested in government bonds, which again has value to somebody outside of the government. To the federal government, it has no value.

I mean the trustees give that bond to the federal government, and the federal government has to go issue another bond. So those are the three main reasons.

And again, what I find galling about the solution is make the wealthy pay their fair share, the downside of that is you harm economic growth, which is literally the number one component of the solution. We need to grow our economy so we can pay for all of this.

We are \$35 trillion in debt. The solution needs to be look at all of this in total. I completely agree. I think our tax code is a mess. It is complex, it is not rational. I would love to simplify and rationalize our tax code, and start acknowledging the fact that Social Security was grotesquely mismanaged over the decades.

Again, this is—this was obvious. As life—again, it is a program that works when there are 30 workers to 1, when the retirement age is set three or four years higher than life expectancy. Again, that is a pay-as-you-go system that is going to work.

And then unfortunately, the government deceived the American public thinking oh, just get to 65 and you are going to be taken care of by Social Security. It was never enough to retire on. So again, we kind of deluded the public here. So now we are set in

this time and place and trust me, Social Security benefits is not enough to retire on. We have got a real problem here.

But we are not looking realistically at what caused the problem, so we are not going to be looking at realistic solutions. So again, just raising taxes on a federal level up to 57 percent. Tack on state, tack on property taxes, you are going to create such a huge disincentive to work that will harm economic growth. That is my whole point here.

Again, do you want to comment on this? I am going to mispronounce your name so—

Mr. AKABAS. Sure Senator, thank you. As you point out, I believe there are a variety of factors that have led us to the place that we are today, which is a very difficult financial situation. And for that reason, I think we need to look at a comprehensive solution.

We cannot point to any one piece. I certainly think that we need to bring more revenue into the system because we are not going to be able to solve it based on benefit adjustments alone. But at the same time, we have broader fiscal challenges, as you talked about, as we all know as a country, and we are going to need a lot of revenue to fix those broader financial challenges.

So we cannot just rely on revenue to fix the Social Security challenge that we are facing today.

Senator JOHNSON. Again, the problem out of, you know, the other side it is always make the wealthy pay their fair share. Well you know, the top percent, the top one percent taxpayers pays more than 40 percent of the total income tax burden.

I mean at what point is that fair share standard being met? And also at what point do you raise marginal tax rates up to the point where you literally harm economic growth? I do not have my contacts in, so I cannot see the names. But do you want to comment on that? I mean what—I have asked this question frequently.

What is the top marginal tax rate? I mean what percent of American a dollar's worth of income should the federal government extract?

Ms. VALLAS. I cannot speak to that because the Academy—the Academy does not have a recommendation. We do not make recommendations like that. We do analyze policy options. But what I can say is that Social Security is not a marginal tax rate program.

That is not how it operates. I think you know that, Senator. It actually is, as we have talked about today, a percentage, 6.2 percent on your wages—

Senator JOHNSON. I know, because it was really designed to be kind of individualistic, and what you invest you are going to get back. And that is not—I mean that is not what this design move would be. This would literally turn at least a good chunk of Social Security into more of a general welfare program, as opposed to you pay in and then you are going to get out your savings plus some kind of investment model.

Again, what they invested in, U.S. government bonds, do not have value to the U.S. government. It is a pretty low return in investment as well.

By the way, I just did—I did a spreadsheet a number of years ago, had we actually taken that surplus, put it into and I know Dow Jones index funds did not exist at the time. Back then, the

analysis showed seven to eight trillion dollars in hard assets the federal government could actually tap into to pay benefits.

But they did not do that, and they spent the money. Again, so many people will not admit that. They will not admit the mismanagement over the decades, but that is why we are in this pickle. We did not have to be in this pickle if you would have managed this just halfway effectively. But I think I have made my point.

Ms. VALLAS. Well Senator, I appreciate the question and if I could, I think one other thing that is worth naming is that you have mentioned several times now that life expectancy has increased, and that is not true across the board. It is true for people of higher incomes, but for people of lower incomes and particularly people of color and others that—

Senator JOHNSON. I am quoting national averages. It is indisputable, 61 up to 78 almost. Okay, 16 years. Yeah, I realize every individual is different. But on average, life expectancy has grown dramatically. The number of workers per beneficiary has declined dramatically. That is the main problem and policymakers, members of Congress ignored it for decades, because it is a tough issue.

Ms. VALLAS. And it is incredibly valuable to look at averages for certain things, but just again urge this Committee and policymakers generally to be aware of the disparities in who has actually seen gains from those life expectancy increases and who has not, given the significant hardship that would be experienced by lower income workers if we—

Senator JOHNSON. And would warn you trying to raise marginal tax rates to the extent you want to is going to really harm economic growth, which is really going to blow the program up.

Chairman WHITEHOUSE. Senator Braun.

STATEMENT OF SENATOR BRAUN

Senator BRAUN. I have been here five and a half years, and this is called the Budget Committee. I would like to point out that we have not done a budget in two and a half decades that we have adhered to. That is the last time we actually balanced a budget. You would have to go into the late 1990's. The other thing I would like to point out is that when it comes to whatever we do to save Social Security, we have known it actuarially for decades.

And my bet is that with the decade that we have got yet to actually do something about it, I am not sure where I would go on the over and under in terms of it being done in time. We have never raised more than 18 percent of our Gross Domestic Product (GDP) in federal revenues, other than one or two years back then.

That is when the federal government was about 20 percent of our GDP, which it has never been more than that other than in a time of war. We are now so bloated, it is roughly 25 percent of our GDP. What that means in the real world, you cannot get by with it anywhere else, you would go to a line of credit.

This is the only place where it gets renewed regardless of your results, and in the five and a half years, that has gone from borrowing a trillion dollars once a year to now every six months. It is called the modern monetary theory, which is borrow it from your kids and grandkids.

That is a bad business plan, and until we get back on track, a program like Social Security that has got strong bipartisan support, the ultimately is to take it out of a general fund. I wonder what the heck that is going to look like in ten years, and I wonder if it will be available.

I want to focus on an inequity within the system. It is called the Windfall Elimination Provision (WEP) Government Pension Offset (GPO) penalty. This hearing is about Social Security's fiscal health and fairness. I support a bill out there called the Social Security Fairness Act, to fix the penalty under the windfall elimination provision, WEP in government pension offset GPO, because they overlook non-covered work.

Mr. Akabas, I would like to ask you this. Can you explain this over-adjustment made back in the 80's? How can a Hoosier law enforcement officer who spent some of his career or her career paying Social Security taxes, end up with lower benefits than someone with the same lifetime earnings? And give us a little history on why that occurred in the first place.

Mr. AKABAS. Sure. Thank you, Senator, for the question. And I would argue that the windfall elimination provision, the WEP, is one of the most understood portions of the Social Security program and has not—

Senator BRAUN. Understood or misunderstood?

Mr. AKABAS. Most misunderstand. Least well understood.

Senator BRAUN. Okay, yeah.

Mr. AKABAS. And it was conceived of back in the 1980's as part of that reform that was alluded earlier in the hearing, and the purpose was to ensure that individuals who work outside of the covered earnings system, which is primarily in state and local governments, are receiving Social Security benefits that are equitable to their peers, that are working their entire careers in covered earnings.

And by equitable, I mean Social Security has a progressive benefit formula where it replaces higher percentages of earnings for lower income individuals, and because of the way uncovered earnings and covered earnings work, some of that progressivity is undone by the standard benefit formula. So the WEP tries to correct for that.

The problem is that it is inexact correction, and most importantly nobody understands how it works. We have much better data today than we did back in the 1980's, and so there are better ways that we can do this. We at the Bipartisan Policy Center are supportive of a replacement for the windfall elimination provision that would be much more equitable to people who serve in both covered and uncovered employment.

It would basically take a proportional benefit of their—a proportion of their benefits that is equal to the amount that they served in covered employment, as opposed to—

Senator BRAUN. And as we are discussing the overall fairness and kind of soundness of the system, it would be your opinion that this inequity needs to be fixed?

Mr. AKABAS. Yes. I believe we need a reform to the WEP.

Senator BRAUN. Okay. Now one other question for Mr. Boudreau. Regardless of what the solution is that we come up with for WEP

GPO, we can recognize that it is a crude formula that does not really work, kind of misconstrued when it was put in place.

Can you explain what do you hear from workers, regardless of the arena, about the fairness of this crude formula, and is it time to fix this now that we are looking at the overall health of the system primarily? What about this?

Mr. BOUDREAU. Thank you for your question, Senator. Clearly, this is an unfairness. I can tell you from a number of my conversations with members of a national task force to repeal the WEP GPO, of which I was founding member in May of 2020, we have been working on legislation to repeal both in the last Congress and in the current Congress session.

And it is—I am going to give you one example of how crudely unfair this is. We have members of the task force, one in particular who happens to be a retiree living in Connecticut, whose husband passed away and his Social Security, because she receives a state public pension, disappeared, unlike a woman who was a homemaker and raised a family and was married to a husband who was the primary breadwinner, and who received his Social Security benefits after he passed away, after never contributing to the system.

This individual, because she worked in non-covered employment as a school teacher, lost her husband's Social Security after he passed as a partial income that sustained their life together. She has a colleague who is 75 years old who is still teaching, because her husband predeceased her, and she cannot afford to retire on her teacher's pension because much of her earlier adulthood was spent raising a family.

And so her teacher's pension should she retire now at the age of 75 would not sustain her because she would lose her husband's Social Security. As long as she continues to work, she will receive it. So she is basically a slave to her job as a result of the government pension offset.

Senator BRAUN. Well, thank you. That is a sad story and I am a Republican co-sponsor of this bill. Anyone watching this out there, get ahold of your representative of your Senator to get on it, because this is part of a broken system. It is an inequity that needs to be fixed. Thank you, Mr. Chairman.

Chairman WHITEHOUSE. Thank you, Senator Braun, for raising this. I am a co-sponsor of the bill. I appreciate your advocacy for it and your call for further support for it. Very well done, I may say.

Let me thank the witnesses for appearing before the Committee today. Your full written statements will be made a matter of record. I will also submit into the record written statements received from American Federation of State, County and Municipal Employees (AFSCME) and the National Committee to Preserve Social Security and Medicare, without objection.⁹

Chairman WHITEHOUSE. Questions for the record from Senators are due by noon tomorrow, either by signed hard copy or email to the Committee Clerk. And if we get those questions, we are going

⁹Statements submitted by Chairman Whitehouse appear in the appendix on page 103.

to refer them to appropriate witness, and we would ask you to turn around your reply within seven days.

With no further business to come before the Committee, this hearing is adjourned.

[Whereupon, at 12:08 p.m., Wednesday, September 11, 2024 the hearing was adjourned.]

**Opening Statement of Chairman Whitehouse
Senate Budget Committee Hearing: "Social Security Forever: Delivering Benefits and
Protecting Retirement Security"
September 11, 2024**

Today's hearing will examine the challenges facing one of our most important government programs, Social Security. Social Security has been a pillar of retirement security for millions of seniors for nearly 90 years, and it continues to be the nation's most effective anti-poverty program. Social Security distributes benefits to nearly 70 million Americans – that's 20% of the US population – and, in 2023, lifted 28 million people out of poverty.

But Social Security is facing a looming solvency problem, and also immediate budgetary issues as it modernizes and improves customer service. We will explore both of these challenges today.

I welcome Social Security Commissioner Martin O'Malley. He has already improved the agency's customer service and benefit delivery. In less than a year, he has reduced wait times for a disability hearing by almost 30 percent, reduced phone call wait times by more than 40 percent, and ensured that more Social Security beneficiaries get their benefits within just two weeks of applying.

The Commissioner will testify about the agency's budget request for Fiscal Year 2025 and how more than a decade of shortfalls made things worse for beneficiaries. Social Security must have the resources to do its work, so I was pleased to see that fully funding SSA is part of the Administration's request for the September continuing resolution.

Our second panel will focus on protecting Social Security forever and strengthening retirement security for all Americans. Rhode Island's own Roger Boudreau is here, a tireless advocate for the state's retirees and pensioners, and will testify about the importance of Social Security in providing a strong foundation for retirement.

Without new revenue, this bedrock of the American retirement system will only cover 83% of benefits beginning in 2035, so it is incumbent upon us in Congress to examine *real* solutions to close the revenue gap and preserve the promise of Social Security for our kids and grandkids. The promise of Social Security is a promise we cannot break.

At last year's State of the Union, President Biden received a standing ovation from Republicans and Democrats alike when he proclaimed that cutting Social Security and Medicare was off the table. As he said that night, "We got unanimity!"

But Republican claims that they don't want to cut benefits don't match their actions.

The current Republican Study Committee budget, representing 80% of House Republicans, proposed cutting \$1.5 trillion of Social Security benefits over the next ten years. It would reduce the benefit formula and raise the retirement age to 69, which would especially hurt low-income retirees.

Let's say Social Security benefit cuts really are off the table. If cuts are truly off the table, then that leaves only one other option to prevent insolvency: raise revenue. *There is no third option.* That means it's time to get to work identifying smart, fair ways to raise revenue, fund the Social Security Trust Fund and preserve benefits.

Fortunately, there are solutions that would both extend Social Security solvency indefinitely with zero benefit cuts *and* make our tax system fairer. Like my Medicare and Social Security Fair Share Act.

Right now, the cap on Social Security contributions means a CEO making \$10 million a year would only pay into Social Security for the first week of the year. A schoolteacher or nurse, however, pays into the program with every single paycheck. That's not fair. My Medicare and Social Security Fair Share Act would fix that by requiring contributions to Social Security on wages above \$400,000.

Further, people living off of non-wage income make no Social Security contributions. That's not fair either, and my bill would also fix that. Those making more than \$400,000 in investment income would contribute just like those who are working.

These reforms raise enough revenue to make Social Security—and Medicare, too—solvent indefinitely, according to the respective actuaries for the two programs.

At the moment, there are no Republican proposals to restore solvency to Social Security while avoiding benefit cuts. The last Republican-sponsored legislation to preserve Social Security's long-term solvency was in 2016 – 8 years ago — and that legislation was 100% benefit cuts. If benefit cuts are now off the table, that's dead. And there is no other Republican bill.

My bill would protect Social Security and Medicare without cutting benefits by making the wealthy pay their fair share. If Republicans want to come up with a proposal that restores solvency while avoiding benefit cuts, I'm all ears. Here's what I think the plan is: run out the clock until insolvency, then when there's a crisis try for a backroom deal where Republicans can secretly negotiate benefit cuts, and then bring them out under cover of bipartisanship.

If that's not the plan, show me a proposal. Americans are watching.



UNITED STATES SENATE
BUDGET COMMITTEE
RANKING MEMBER CHUCK GRASSLEY

Opening Statement by Senator Chuck Grassley of Iowa
Ranking Member, Senate Budget Committee
Hearing titled, “Social Security Forever: Delivering Benefits and Protecting Retirement
Security”
Wednesday, September 11, 2024

Before I continue my opening statement, I want to acknowledge today being the 23rd anniversary of the 9/11 attacks.

Time can't erase the horrors of that day.

We must always remember the thousands of Americans who lost their lives to terrorism.

And we are forever grateful for those heroes and first responders who made tremendous sacrifices trying to save fellow countrymen.

Now, to today's subject.

You won't find disagreement from my side of the aisle on the need to strengthen and preserve Social Security for generations to come.

As I often say, Social Security is part of the social fabric of America.

Unfortunately, Social Security is presently on a path of insolvency.

CBO tells us that by 2033 Social Security's primary trust fund will only be able to pay 75 percent of scheduled benefits.

Congress must work in a bipartisan fashion to save Social Security once and for all.

This will require listening to multiple points of view, not just those with which we agree.

Toward that end, I've invited Molly Dahl of the non-partisan Congressional Budget Office to give us the straight facts on Social Security's finances.

Also with us, at my request, is Shai Akabas of the Bipartisan Policy Center. He'll provide a sober view of the difficult choices and tradeoffs inherent in any serious proposal to address Social Security's looming funding shortfall.

My hope is for us to have a serious discussion void of political fearmongering that too often dominates this debate.

I won't hold my breath.

We're in the midst of a presidential election. And one of Democrats' favorite campaign tactics over many years has been to suggest Republicans want to pull the rug out from under our seniors and end Social Security as we know it.

We saw that in the 2020 presidential election when the Biden-Harris allies in the Senate decided to manufacture a crisis.

At that time, the senators snookered the Social Security Chief Actuary into analyzing non-existent legislation to eliminate Social Security payroll taxes.

They then characterized the actuary's analysis as evidence that President Trump sought to defund Social Security.

That went too far even for the liberal Washington Post, which awarded that claim four Pinocchios.

Even so, that didn't stop a cottage industry of left-wing groups from running ads scaring seniors about a false Republican effort to destroy Social Security.

It's scare tactics such as these that are the true threats to Social Security.

Why? Because they stifle honest debate and delay bipartisan action.

And nothing is going to happen without a bipartisan approach.

Action that's necessary to prevent automatic cuts to retirement benefits that'll occur under present law.

With that said, I want to welcome our Social Security Commissioner, [former] Governor O'Malley, who will testify first today.

I trust he will do his best to avoid the Social Security Administration being dragged into election year scare tactics, as occurred in 2020.

Even though both the House and Senate Appropriations Committees have already rejected the Biden-Harris budget request for the Social Security Administration in their committee reports of the Labor-HHS bills, I still look forward to hearing from Commissioner O'Malley on his plans to improve customer service at the agencies.

I regularly hear from Iowans who find it challenging to get in touch with Social Security, whether by phone or in person.

In June, at a Finance Committee hearing, I asked a Social Security field office manager how many of her employees come to the office during the work week. She responded that only five of her 40 employees were in the office five days per week.

I can't help but wonder if that may be a reason so many Iowans struggle to get the assistance that they need.

And then one comment to [respond to] where the Chairman ended up, if you would allow me to say.

You mentioned that [Republicans are] going to sit back until this program goes broke. Then, we're going to put a plan out secret[ly] and ask for your bipartisan support.

Let me suggest to you that when you blame Republicans for waiting for the thing to go broke, you remember in '84, after 24 years of the Democrats controlling the U.S. Senate, and at that point about 30 years of controlling the U.S. House of Representatives, the Democrat Congress let it go broke in 1984 before they sat down.

And the reason it was finally solved is, if you remember, there were Reagans and Tip O'Neills in Washington D.C. at that particular time [who] said, 'We're not going to let this good program go broke, we've got to solve the problem.'

The trouble is, there's no Reagans or Tip O'Neills in Washington right now. That's the sad commentary of why something isn't getting done.

So maybe some Tip O'Neill and Reagan will rise in 2025 to help solve this.

I hope so.





**COMMITTEE ON BUDGET
UNITED STATES SENATE**

**SEPTEMBER 11, 2024
STATEMENT FOR THE RECORD**

**Martin O'Malley
COMMISSIONER
SOCIAL SECURITY ADMINISTRATION**

Chairman Whitehouse, Ranking Member Grassley, and Members of the committee:

My name is Martin O'Malley, your confirmed Commissioner of the Social Security Administration (SSA), and I am deeply honored to be here today on behalf of the agency's thousands of dedicated employees and the millions of Americans they serve.

Thank you for inviting me to discuss Social Security's fiscal year (FY) 2025 budget request. And thank you for allowing me to explain why it is so essential to restore the level of customer service that taxpayers expect, ... deserve, ... and have already paid for.

I greatly appreciate this Committee's commitment to hold today's hearing. This is Social Security's first budget or appropriations committee hearing regarding our agency funding in nearly 10 years.

SOCIAL SECURITY TODAY

Social Security is the most far-reaching act of social and economic justice that the people of the United States ever enacted. It has been the honor of a lifetime to lead Social Security forward through these especially difficult days.

Since day one of my confirmation, we have been improving customer service by driving transformational change. Even within the brutal constraints of our increasingly inadequate funding, we have been able to make some meaningful progress. But given the ever-climbing levels of beneficiaries, our progress will be short-lived without your immediate help.

Social Security, today, is serving more customers than ever with staffing levels Congress has reduced to nearly 50-year lows. The direct result for the People of the United States is that the customer service Americans have already paid for, has now been reduced to crisis-low levels. While modernization and other efficiencies have helped for some things, there is no way around the fact that the agency cannot keep doing more with less.

But the good news is, this is a solvable problem. The American people have already paid into Social Security for their customer service, just as they paid into Social Security for their benefits. We can and must improve service by reversing severe funding and staffing losses since 2018, when we operated on a mere 1.2 percent of benefits for overhead. We want to work with Congress to secure the increases in the President's 2025 Budget, which is a big step in the right direction to enable SSA to improve service levels and reduce wait times.

SOCIAL SECURITY'S LONG-TERM HEALTH

Before we dive more deeply into solving the immediate customer service crisis, please allow me a few moments to address the fears that crowd our public squares about the long-term financial health of Social Security.

Social Security is not going “bankrupt.” Nor is it going “insolvent.”

Because Social Security is a pay-as-you-go program, so long as Americans work and pay into Social Security, then Social Security will continue to pay out benefits to those who paid in over their own lifetimes of work.

But according to Social Security’s Board of Trustees, the reserves in our combined Social Security Trust Funds will become depleted in 2035. This year’s report had a measure of good news for the millions of Americans who depend on Social Security, including the many seniors who would live in poverty without these benefits—any potential benefit reduction event has been pushed off from 2034 to 2035. More people are contributing to Social Security, thanks to strong economic policies that have yielded impressive wage growth, historic job creation, and a steady, low unemployment rate. So long as Americans across our country continue to work, Social Security can—and will—continue to pay benefits.

These policy choices are, of course, your responsibility; not mine. But the Chief Actuary of Social Security and his capable staff stand ready to provide each of you the confidential actuarial projections and cost estimates you need for your deliberations.

The Administration is committed to protecting and strengthening Social Security and opposes any attempt to cut Social Security benefits as well as proposals to privatize Social Security. The Administration believes that protecting Social Security should start with asking the highest-income Americans to pay their fair share. In addition, the Administration supports efforts to improve Social Security benefits, as well as Supplemental Security Income (SSI) payments, for seniors and people with disabilities, especially for those who face the greatest challenges making ends meet.¹

Now, let’s return to the more immediate problem: the customer service crisis.

RECORD HIGH CUSTOMERS, NEARLY 50-YEAR LOW IN STAFF

You and I—regardless of party—would agree that the public deserves the highest level of customer service from their government, especially in the case of Social Security.

Throughout lifetimes of hard work, the American people have paid for and earned their Social Security benefits. And through a lifetime of hard work, they have also paid for and earned the customer service they need to access those benefits.

But the current state of Social Security in the life of our Republic is this: Social Security, today, is serving more customers than ever before with one of the lowest staffing levels in 50 years.

Allow me to repeat this hard but central truth.

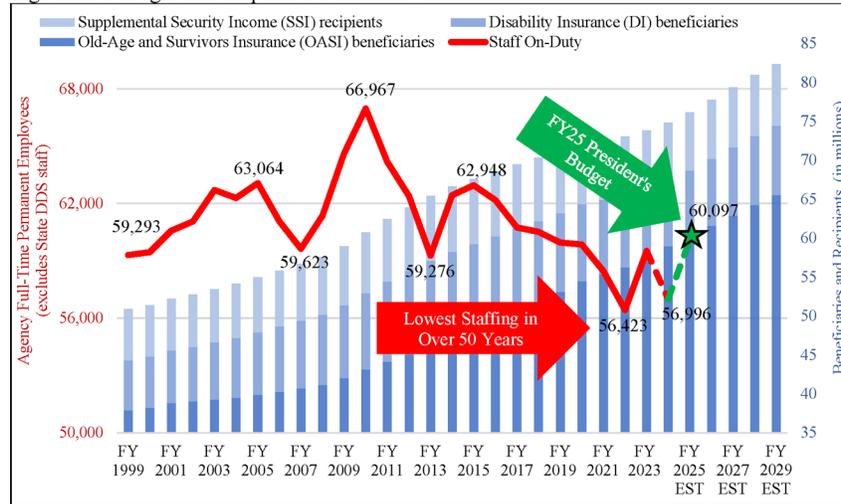
¹ White House, “[FACT SHEET: The President’s Budget Protects and Strengthens Social Security and Medicare](#),” March 2024.

Social Security, today, is serving more customers than ever before with staffing levels Congress has reduced to nearly 50-year lows.

This is a self-inflicted wound.

And the gap between growing numbers of beneficiaries and dwindling numbers of customer service staff will only get worse unless you act (Figure 1). In fact, SSA’s Chief Actuary projects the number of new applicants and total beneficiaries we serve will only continue to rise in the coming years.²

Figure 1. Serving More People with Fewer Staff



We are like a school system or a police department—if you have fewer teachers and more students, class sizes will be larger; if you have fewer police officers and more 911 calls, it will take longer to respond to each call. At Social Security, if we have more and more applicants and beneficiaries and fewer and fewer staff to serve them, the result is that people will wait longer for their benefits and for their calls to be answered.

For instance, as our staffing levels dropped from FY 2017 to FY 2023, wait times on our National 800 Number nearly tripled and wait times for initial disability decisions have now doubled—particularly in some hard-hit states like Maryland, Florida, Texas, and Illinois, where the wait times for disabled Americans are close to a year.

² We see an average increase of approximately one million beneficiaries per year, and we expect this trend to continue. By the end of FY 2024, SSA will serve over 7 million more beneficiaries with about 6,000 fewer full-time permanent staff when compared to FY 2015.

And while modernization and other productivity gains have helped Social Security keep its nose above water, we cannot sugar-coat the severe damage that decades of staff reductions have done to Social Security's customers.

Since FY 2018, Social Security's budget has essentially been flatlined even as fixed costs increased like they do for everything else in the real world. Every year your Social Security Administration faces \$600 million in fixed cost increases—for things like Federal pay raises, healthcare, postage, printing, phones and rent. Therefore, so-called level funding for an entirely customer service agency such as Social Security amounts to a \$600 million cut; a cut which we can only make up in staff reductions—year, after year, after year.

As a result, we ended FY 2022 with our lowest staffing level in over 50 years. We made some progress in FY 2023, but much of that progress was erased when we had to start FY 2024 in a hiring freeze due to the extended continuing resolution. And the \$100 million increase we later received for FY 2024 was not nearly enough to cover our increase in fixed costs, much less to rebuild staffing and customer service delivery—meaning we will end the year with staffing well below where we ended FY 2023.³ And so, the mismatch between rising workloads and declining staffing continues to grow.

Much the same can be said of information technology (IT) funding, where increases in mandatory fixed costs must be absorbed with cuts to modernization. As costs to maintain our legacy systems rise, we are left with less and less to upgrade to the new technologies that would better serve our customers.

CUSTOMER SERVICE CRISIS

The result of the growing gap between record high numbers of customers and close to 50-year lows in staffing is this: the customer service that Americans have already paid for has been allowed to decline to crisis-low levels. And this crisis hits hardworking Americans every day, in every community across our country and in every one of our States.

Consider this:

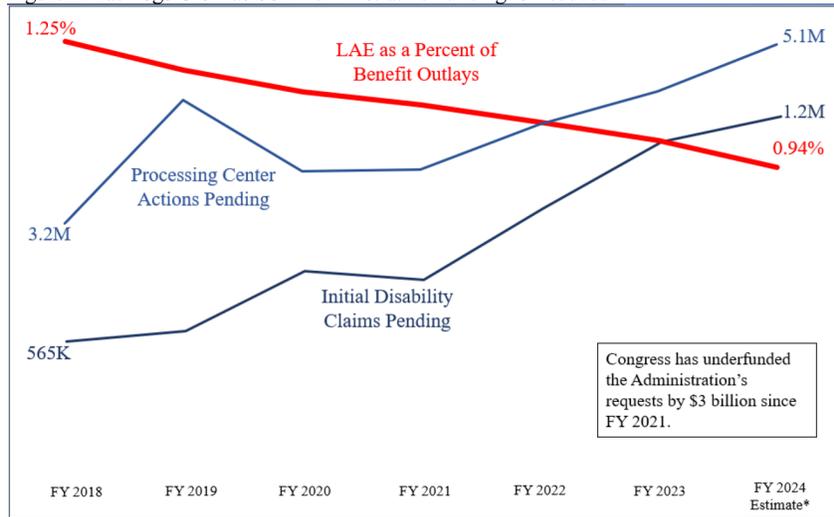
- Americans calling Social Security's National 800 Number last year routinely experienced wait times of an hour or more. While we have now driven that wait time down from 42.2 minutes last November to 21.1 minutes in August, our attrition rate among our agents in those overwhelmed teleservice centers is 19 percent.
- Too often we inflicted severe financial hardships on elderly people and our poorest families because we struggle with streamlining and communicating our overpayment debt relief and repayment policies and have had delayed efforts in improving our ability to prevent or catch up to erroneous overpayments.

³ We will lose a net of 2,500 staff in FY 2024, not including DDS staff. From FY 2022 through FY 2024, Congress funded Social Security's administrative expenses at a level almost three billion dollars below the President's Budget requests.

- As processing backlogs grew, the Office of the Chief Actuary estimates that approximately 30,000 people died in 2023 while waiting for their disability decisions, while their application for Social Security or SSI disability benefits, or both, was pending a decision at the initial, reconsideration, or hearing levels. While this is a small percentage of the average number of people waiting for a decision, it remains imperative that we issue decisions faster at every level. Disability applicants now wait on average nearly 8 months (231 days this fiscal year through August) for an initial decision and almost 8 additional months (230 days) for those who request a reconsideration. In some States, these numbers are a year or more.

Consider also the numbers of cases we had pending at the end of August: 1.2 million initial disability claims (nearly the highest level on record, and more than double our typical pending level of almost 600,000 prior to FY 2020); 325,000 disability reconsiderations; 266,000 administrative law judge (ALJ) hearings; and 5.2 million processing center actions (which include issuing and adjusting more complex payments). The trend is clear: as our administrative funding is reduced, our backlogs increase (Figure 2).

Figure 2. Backlogs Grow as SSA Administrative Funding Is Reduced



* The numbers of pending cases and actions shown are the targets for the end of FY 2024.

Social Security touches every American from the moment they are born until after they pass. Every soul. Behind each of these numbers is a real person, many of whom are depending on the benefits we provide. Surely your offices have heard the complaints. Surely you have heard the cries. The American people deserve better.

HOW WE'RE ADDRESSING THE CUSTOMER SERVICE CRISIS

Despite the brutal constraints of our funding, we remain committed to improving customer service from the current state of crisis. We do our very best every day with the limited resources we have to serve the highest number of beneficiaries ever in the face of one of our lowest staffing levels in over 50 years. Here is how we are beginning to drive change.

SecurityStat

In early February, we launched SecurityStat, a cross-cutting performance management regimen based on earlier models I developed like CitiStat and StateStat. SecurityStat provides a systematic and recurring method to work together across the agency in timely, agile, and collaborative ways, by gathering the top leaders in a room together for data-driven performance management and accountability.

So, in eight meetings every two weeks, in a rotating fashion, we come together and focus intensely on the most important things we do for the American people and for you, their Members of Congress. For one blessed hour every two weeks we focus, together, on each of eight key challenges:

- Field Operations
- Human Resources
- National 800 Number
- Overpayments and Underpayments
- Disability Determinations
- Disability Hearings
- Fraud
- Notices

SecurityStat also offers a new and unprecedented level of transparency for Social Security's customers and stakeholders, including Congress. Many of your staff have observed this new way of doing business at SSA; we appreciate your attention, your interest, and the presence of your staff at our side. Today, on our SecurityStat website, the public can easily view key metrics and track the progress we are making towards achieving our top customer service goals.⁴

Action Plan and Quick Wins

Since day one, I have been listening to and learning from people inside and outside the agency about the most important changes we can make. I have traveled to all 10 of SSA's regions across the country to meet with and learn from the dedicated employees on the front lines of serving the public. I sat side by side with teleservice center representatives taking calls and claims specialists taking claims in the field offices. I heard countless suggestions for improvements both big and small, many of which we are already implementing. In addition, I have met with dozens of Members of Congress and your staff to learn from your perspectives on our customer service crisis and to better understand your solutions and your greatest concerns.

⁴ SSA, "[SecurityStat](#)," July 2024.

Based on all the input, we developed our 2024 Social Security Action Plan, which boils down the most impactful things we can accomplish into 27 strategic initiatives.⁵ Action on each of the initiatives has already begun; many will take more than just the year to fully accomplish. But these efforts will also require important investments, including enactment of the FY 2025 President's Budget.

Much has been accomplished. More progress is coming. But already, our quick wins to date include:

- The Automated Medicare Processing (AMP) tool: Based on an employee suggestion from Birmingham, we rolled out AMP nationwide in February to improve back-end processing for online Medicare claims. AMP reduces processing time from 7 minutes to 7 seconds, freeing up the equivalent of around 40 work years of people to do other critical pending work. To date we have processed close to 400,000 Medicare claims through this streamlined, automated process.
- In February, we published formal notice of our plans to access and use information from payroll data providers.⁶ This long-awaited automated payroll information exchange (PIE) will reduce wage-related overpayments by ensuring we receive timely and accurate wage data. We are currently reviewing the public comments we received.
- We published three final rules to simplify and streamline the consideration of non-cash assistance within the SSI program.⁷ These changes will increase the accessibility of this vital needs-based assistance, while also decreasing overall processing time.
- To increase collaboration, engagement, and innovation across the agency, I returned most headquarters employees in Baltimore and Washington, as well as regional office employees, to work onsite at least two or three days a week. We are helping set the bar for telework as a model for the rest of government.⁸ (SSA's field offices have been fully open to the public since early 2022 and are not affected by this change.)
- We removed wet signature—or in some cases *any* signature—requirements where possible without compromising program integrity. We now allow an electronic signature for more than 30 forms, which make up 90 percent of the most commonly used forms by SSA customers, representing about 14 million paper documents submitted annually. This year we also removed the signature requirement entirely for 13 of our most commonly used forms, totaling about 1 million submissions annually.

⁵ SSA, "[Action Plan: Social Security Administration, 2024](#)," August 2024.

⁶ SSA, "[Use of Electronic Payroll Data To Improve Program Administration](#)," *Federal Register* 89 FR 11773, February 2024. See also: SSA, "[Social Security Publishes Proposed Rule for Payroll Information Exchange to Reduce Improper Payments](#)," February 2024.

⁷ SSA, "[Omitting Food from In-Kind Support and Maintenance Calculations](#)," *Federal Register* 89 FR 21199, March 2024; SSA, "[Expansion of the Rental Subsidy Policy for Supplemental Security Income \(SSI\) Applicants and Recipients](#)," *Federal Register* 89 FR 25507, April 2024; and SSA, "[Expand the Definition of a Public Assistance Household](#)," *Federal Register* 89 FR 28608, April 2024.

⁸ Tom Temin, "[New Social Security telework policy just might be the blueprint for everybody](#)," *Federal News Network*, February 2024.

Small things done well make bigger things possible. Key customer service metrics are starting to improve. Employee engagement is up. Attrition is slowing, though still high. And most importantly, frontline workers see their voices are being heard, and they see positive changes are happening.

On this year's Federal Employee Viewpoint Survey, we increased our participation or response rate by over 50 percent since last year—the highest year-over-year increase of any agency in the Federal government. So our staff are most definitely reengaging. But we know that morale still has a long way to go in light of the heavy weight of shrinking staff and growing workloads.

THE EARLY RESULTS OF THESE EFFORTS

Through the agile, collaborative process of SecurityStat and relentless follow-up focus, we have made solid measurable progress on two of our three biggest customer service challenges. We are steadily reducing wait times on our National 800 Number, and the policy changes we implemented on overpayments have provided immediate and sometimes life-changing relief for thousands of beneficiaries. But initial disability determinations remain a challenge of crisis proportions, with wait times of still more than a year in far too many States.

National 800 Number Wait Times

This year marks the 35th anniversary of our 800 Number, and it has been a challenging one thanks to a woefully underperforming phone system that fell far short of our expectations, and a 19 percent attrition rate among staff answering the phones in many of our teleservice centers across the country.

The month before my confirmation, the average wait time for customers trying to reach us by phone was 42 long minutes. Around seven million people called our National 800 Number every month, and about 4 million of them hung up in frustration after waiting far too long.

But through the agile SecurityStat process, we sprang into action and identified quick wins to reduce unnecessary calls on the front end, and improve first call resolution on the back end. Among those quick wins on the 800 Number:

- We secured approval from the Internal Revenue Service (IRS) to accept phone attestations—instead of having to mail a paper copy for wet signature—from beneficiaries wanting to change their voluntary tax withholding from their benefits. This lets us process and resolve the action on the first phone call.
- We enhanced our online system to automatically provide more detailed claim status updates to the people representing disability applicants, eliminating their need to call us for frequent status updates.

- We transitioned to a better-performing phone system and re-implemented call-back assist, so customers can receive a call back when an agent is available instead of waiting on hold. These data-driven decisions have yielded immediate benefits for both callers and employees, including reduced wait times and more self-service options.
- We revamped the training for new hires at our teleservice centers to improve employee engagement and reduce attrition of new hires.

As a result of these quick actions and many more, we have begun to turn the tide in the right direction. In August, we answered calls in an average of 21 minutes—still nothing to write home about, but significantly improved from 42 minutes last November.

Having transitioned on August 22nd to a more modern and higher-performing phone system, we believe we can further reduce that wait time to 12 minutes (on a rolling thirty-day basis) by the end of October 2024.

Overpayments and Underpayments

For 89 years, the hard-working employees of the Social Security Administration have strived to pay the right amount, to the right person, at the right time. And the agency has done this with a high degree of accuracy over a massive scale of beneficiaries; our overall accuracy rates are 99.34 percent for Social Security and 90.80 percent for SSI based on our stewardship reviews.⁹

But despite our best efforts, we sometimes pay beneficiaries more than they are due, creating an overpayment.

Sometimes we learn too late of work activity or other information that would have affected the payment amounts, although we are making strides to reduce customer reporting burdens through implementing more data exchanges. Sometimes, under the pressure of serving more and more customers with fewer and fewer staff, it takes us longer and longer to catch up to mistakes. And as it takes us longer and longer, the amount our individual beneficiaries are required to repay becomes greater and greater.

Congress understandably requires that we make every effort to recover overpaid benefits, and we also take seriously our role as good stewards of taxpayer dollars. But doing so without regard to the larger purpose of the program was resulting in very real financial hardship for individuals. No one should lose their home because Social Security made a mistake and then intercepted 100 percent of their monthly benefit to recover the debt.

Starting last year, we embarked on a deep dive review of our overpayment policies and procedures, to identify the root causes of these overpayments and to take proactive steps to address these injustices. Our deeper understanding of the complexities of this problem has set us on the following course of actions accomplished over the past nine months:

⁹ See [PaymentAccuracy.gov](https://www.ssa.gov/policy/docs/overpayments.html). These overall accuracy numbers consider both overpayments and underpayments for FY 2022, the most recent data available.

- *Lower Withholding Rate:* In March, we ceased the heavy-handed practice of intercepting 100 percent of an overpaid beneficiary's monthly Social Security benefit by default if they fail to respond to our demand for repayment.¹⁰ Instead, we now use a much more reasonable default withholding rate of 10 percent of monthly benefits (but not less than \$10 per month)—similar to the current rate in the SSI program.

We notified individuals who are currently repaying an overpayment at a rate greater than 10 percent, to give them the option to request a lower rate of recovery. These one-time outreach notices were released in weekly batches, prioritizing individuals with the highest withholding. So far about 13,000 people have contacted us and gotten a lower rate.

- *Less Burdensome Repayment Process:* We now approve repayment plans of up to 60 months without requesting proof of income and assets for the vast majority of beneficiaries who request to work out a repayment plan. This change extended this easier repayment option by an additional two years (from 36 to 60 months).
- *Waiver Process Simplifications:* We are making it much easier for overpaid beneficiaries to request a waiver of repayment, when they believe they are without any fault and cannot repay. To do this, we are streamlining forms and simplifying processes, as well as shifting the burden of proof away from the beneficiary in determining whether there is any evidence that the beneficiary was at fault in causing the overpayment.
- *Administrative Waiver Tolerance:* Anyone who requests a waiver and is not at fault for the overpayment will see their debt waived where, on average, we would spend more on recovery activities than the amount we would recover. We updated this threshold from \$1,000 to \$2,000 in service of efficiency.
- *Notice Improvements:* As we develop solutions to the systemic issues that plague SSA notices, where our customer satisfaction is under 20 percent, we are particularly focusing on how we can clarify and simplify our overpayment notices. We are taking a comprehensive look at what we can do to reduce the confusion our customers have in understanding the complexities in the 362 million notices that we send every year.

We have heard from countless beneficiaries how appreciative they are of these changes; for many, they are life changing. One beneficiary in Pittsburgh called us after receiving our outreach notice about the ability to request a lower withholding rate. He said he currently had no running water; now that he will no longer have his entire check withheld, he can pay his water bill and restore this basic necessity. Another beneficiary told us that under the new withholding policy she will no longer worry about potentially losing her home. These are just a few examples of how our overpayment policy changes are helping to restore the promise of Social Security.

¹⁰ SSA, "[Social Security Eliminates Overpayment Burden for Social Security Beneficiaries](#)," March 2024.

There are some additional changes that can only be effectuated by the will and good judgment of Congress. I look forward to working with Members to discuss ideas that could address the root causes of overpayments.

On the flip side of overpayments are underpayments. We are working to increase our processing of SSI underpayments, particularly for the oldest and highest-priority cases. Through August, we have processed 93,000 underpayments and released approximately \$245 million this fiscal year to our customers with these aged and priority underpayments. And we are on track to complete our goal of 98 percent of these underpayments by the end of FY 2025. Like with overpayments, our focus on underpayments has a very tangible and often heart-warming effect on our beneficiaries, with countless individuals reporting to us that they were able to avoid eviction or purchase necessary medical supplies after finally receiving a long-delayed payment.

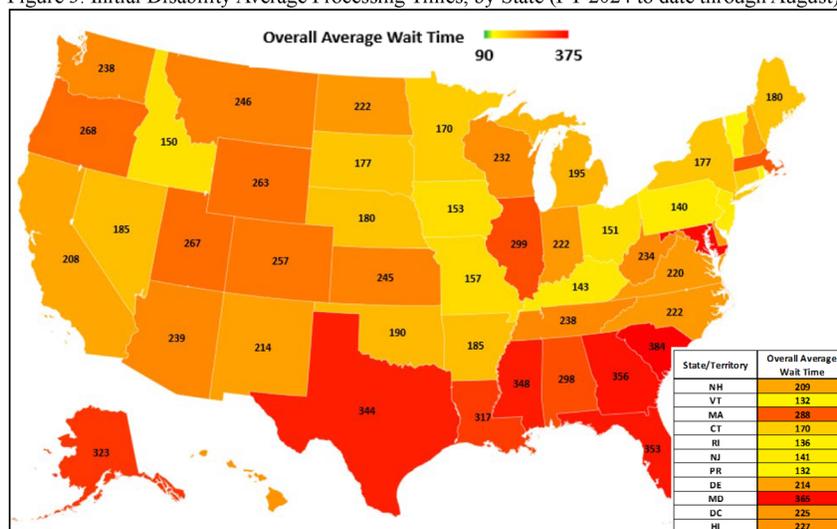
Disability Wait Times

Now we come to the biggest and most stubborn challenge of the big three—the unacceptably long wait times for an initial disability determination by the 52 State and territorial disability determination services (DDS) offices we are no longer allowed to adequately fund.

It now takes a shockingly long time for DDSs to make initial disability determinations. Ten years ago, when our appropriations represented a larger share of our annual outlays and we could hire and retain staff, we were able to make these determinations in 110 days. But today, operating with the staff we can afford on inadequate budgets, it takes an average of 231 days this fiscal year through August to make the same initial determinations (Figure 3).

That means disability applicants are waiting on average nearly 8 months (231 days) for an initial decision and almost 8 additional months (230 days) for those who request a reconsideration. In some States, the wait times are a year or more. We must do better, and our long-term goal is to reduce those waits to 4 months (120 days) each.

Figure 3. Initial Disability Average Processing Times, by State (FY 2024 to date through August)



Actions we are taking to reduce disability processing times at both the initial and hearings levels include:

- Earlier this year, we published a final rule reducing the amount of past work history we consider when making disability decisions, from 15 years to 5 years.¹¹ This change reduces processing times and lessens the burden and time when applicants fill out application forms.
- We are increasing use of our Intelligent Medical Language Analysis Generation (IMAGEN) tool, which helps employees complete disability determinations by identifying and organizing medical evidence. Since I started, the share of DDS cases that use IMAGEN has nearly doubled from 28 percent to over 50 percent. We are now training all new employees to use IMAGEN. We also expanded the types of cases in which DDS employees can use IMAGEN, and we expanded IMAGEN for use at the hearing level.
- We are improving service for those waiting the longest by tackling our *oldest* hearing requests. As of August 2024, we completed over 154,000, or 94 percent of our oldest cases, exceeding our fiscal year goal of 85 percent. Completing these older cases has significantly cut the average age of all pending hearing requests to 191 days and has put

¹¹ SSA, "[Intermediate Improvement to the Disability Adjudication Process, Including How We Consider Past Work.](#)" *Federal Register* 89 FR 27653, April 2024.

us on track to cut the average wait time for a hearing decision to 270 days. With adequate resources, we can sustain our pace for FY 2025 and beyond.

- We are training and redeploying staff from the Office of Hearings Operations (OHO) to attack the initial disability determination backlog.¹²

So that is how we fight to serve an all-time high number of customers with some of the lowest staffing levels in 50 years. Our mission at Social Security, today, is the same mission FDR laid out for us 89 years ago: “We seek the security of the men, women, and children of the Nation.”

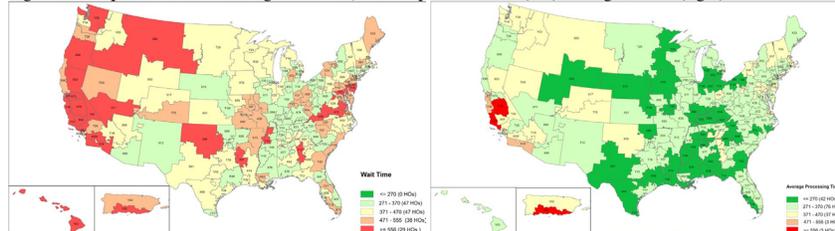
I remain encouraged that the hard-working people on the frontlines of this agency—those who haven’t quit to find less stressful or higher paying jobs elsewhere in the Federal Government or beyond—still wake up every day to serve their country by serving their neighbors.

SOLVING THE CUSTOMER SERVICE CRISIS TAKES ADEQUATE FUNDING

But we cannot do this growing body of work with less and less support, and fewer and fewer staff. We need your help. We need Congress to allow us the funding necessary to restore our customer service levels—the customer service for which the people of the United States have already paid.¹³

¹² People appealing at the next level for an ALJ hearing—run by OHO—currently face an average wait time of 345 days this fiscal year through August to get a decision. This is hard-won progress from the 450 days it took last fiscal year (see figures). Hearing offices across the country have also reduced the number of people who have a hearing request pending with us to about 266,000 people as of August—the lowest number in 30 years. We were able to achieve this progress thanks to the dedicated funding we received from Congress in 2017. Even with the staffing reductions of more recent years, we are on track to eliminate the hearings backlog and issue hearings decisions within 9 months (270 days) on average by the end of this fiscal year.

Significant improvements in hearing wait times, from September 2023 (left) to August 2024 (right):



* Alaska is not shown separately as it is a satellite of the Seattle hearing office.

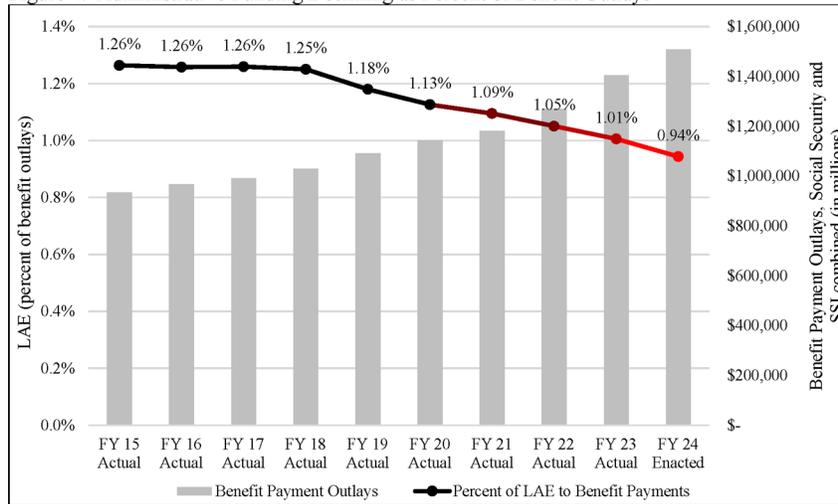
¹³ Funding can quickly lead to restored levels of customer service. The U.S. Department of Veterans Affairs (VA) received an infusion of funding and increased its satisfaction and trust among Veterans from 50 percent to nearly 80 percent. The IRS used additional funding to reduce its call wait times from 30 minutes to 4 minutes. SSA was able to dig out of the initial disability claims backlog during the Great Recession with significant funding provided through the American Recovery and Reinvestment Act of 2009. I am confident we can do it again, but it will take sufficient funding, just as it did for IRS and VA.

SSA Has Extremely Low Operating Expenses.

Members may be surprised to learn that your Social Security Administration operates on a ratio of *less than one percent* of annual benefits paid. This is extremely low for an insurance agency of any size—in fact, much lower than private insurance companies. For instance, Allstate operates on a ratio of 19 percent of its annual benefits paid, and Liberty Mutual operates on a ratio of nearly 24 percent of annual benefits paid.

The history of how we got here would I think be news to many Members, as it was to me after I was put in place by your gracious and humbling confirmation.

Figure 4. Administrative Funding Declining as Percent of Benefit Outlays



Social Security’s operating overhead, as a share of combined (Social Security and SSI) benefit outlays, has shrunk by 20 percent over the last 10 years. Just 10 years ago, Congress routinely allowed a customer service funding level that represented just 1.26 percent of benefit outlays for essential operating expenses. But that has now been steadily reduced by Congress to less than 1 percent (Figure 4).

The predictable result is the customer service crisis that I described above, with Americans suffering from the long wait times, larger overpayments, and deadly backlogs in disability determinations.

I am not suggesting that this chronic funding shortage was done intentionally by Members of Congress. However, without dedicated budget hearings addressing the inadequacy of our

administrative funding, our agency and the critical work we do have been out of sight, out of mind.

We can and must do better.

The good news is that this is a solvable problem. We want to work with Congress to build on the funding increases in the FY 2025 President's Budget to enable SSA to improve service levels and reduce wait times.

Our FY 2025 Budget

The FY 2025 President's Budget request of \$15.4 billion for SSA would allow us to restore staffing to FY 2023 levels (see Figure 1). With additional staff in our teleservice centers, field offices, and State DDSs, we would be able to reduce National 800 Number wait times to 12 minutes, process 185,000 more initial disability claims, work down the initial claims backlog, and prevent the recurrence of the hearings backlog.

The FY 2025 President's Budget (PB) funding level of \$15.4 billion for Social Security will allow us to:

- Restore our staffing levels to FY 2023 levels after dropping to one of the lowest levels in over 50 years in FY 2024;
- Reduce wait times on our 800 Number by over 20 minutes to 12 minutes;
- Reduce initial disability claims wait times to an average of 215 days;
- Reduce the claims backlog by 15 percent;
- Improve the timeliness of retirement and Medicare applications for over 200,000 seniors.
- Continue to address overpayment and underpayment injustices; and
- Increase our information technology (IT) budget to help us modernize and provide more efficient and customer-focused service.

To do that, the President's Budget funding level includes:

- \$8.7 billion for personnel costs to increase our frontline staff—in field offices, teleservice centers, processing centers, and hearings offices—providing direct service to the public;
- \$2.8 billion for State DDSs to reduce the initial disability claims backlog by allowing the DDSs to hire about 2,900 people;
- \$1.7 billion to modernize the agency's IT services and infrastructure for the future; and

- Over \$2 billion to support other mission-critical costs such as office leases, guard services to protect those facilities and the customers who visit us in-person, postage for notices, and other necessary costs.

FY 2025 is a critical year for our agency's recovery after years of chronic underfunding at the same time beneficiaries continue to grow. We cannot prevent further service degradation without an increase to our funding. I am grateful for your support of the FY 2025 President's Budget, which would allow us to begin rebuilding the staffing and investing in modernized IT that we need to serve the American people.

IN CONCLUSION

The American people work their whole lives to earn the benefits of Social Security—and those benefits include the right to an appropriate level of customer service. I have every confidence that a restoration of service levels at Social Security will produce a dividend of trust for generations to come.

We *can* restore the excellent customer service that you and your constituents expect and demand from Social Security—but only if you in Congress do your part. The FY 2025 President's Budget funding level would be a huge step in the right direction towards providing the American people with a level of customer service for which they've already paid, but have in recent years consistently been denied.

It remains my great honor to serve the people of our republic in my capacity as their Commissioner of Social Security.

I look forward to answering your questions.

— Martin O'Malley



U.S. Senate Committee on the Budget
Hearing on “Delivering Benefits and Protecting Retirement Security”
Testimony of Rebecca D. Vallas, CEO, National Academy of Social Insurance
September 11, 2024

Chairman Whitehouse, Ranking Member Grassley, and Members of the Committee, thank you for the opportunity to testify today. My name is Rebecca Vallas, and I have the privilege of serving as the Chief Executive Officer of the National Academy of Social Insurance, a diverse, nonpartisan network of more than 1,200 of the nation’s leading experts on Social Security, Medicare, and other social insurance programs. My testimony today reflects my own views and may not reflect the views of the Academy’s members.

The Academy envisions a society where economic security, well-being, and health care are assured across the lifespan and we are each adequately protected against the “hazards and vicissitudes of life,” in the iconic words of Franklin Delano Roosevelt upon signing the Social Security Act in 1935.

That’s why, since the Academy’s founding by former Social Security Commissioner Robert Ball in 1986, the organization and its members have championed the safeguarding, strengthening, and updating of America’s social insurance system, to enable individuals and families to maintain their standards of living and protect them from poverty and hardship in the event of retirement, death, disability, and unemployment. And that’s why I’ve devoted my career to the same mission. I think of the Academy’s members as the stewards of social insurance. And since the Academy’s founding, protecting and strengthening Social Security has been core to its work.

Today’s hearing comes at a critical moment, with the clock ticking for policymakers to address Social Security’s long-term financing gap—and the Social Security Administration facing major customer service challenges, due in large part to 10+ years of disinvestment in its administrative funding.

That said, it’s a pleasure to be part of a hearing on a topic where there’s so much agreement at a baseline level. Republicans and Democrats alike—including Americans of all political stripes; current and future beneficiaries; and most if not all of the members of this Committee—agree it is essential that we keep Social Security’s promises to the American people, and have stated their opposition to benefit cuts. Thus, the only question that remains is how to achieve these goals.

It is with this question in mind that I will offer three main points today:

- First, Social Security is key to the economic security of U.S. workers and families, and the vast majority simply cannot afford cuts to already modest benefits that they rely on to get by.
- Second, keeping Social Security’s promises to current and future generations will require strengthening the program’s financing. If policymakers take no action prior to 2034, we will see across-the-board benefit cuts that no one wants to allow to happen.
- And third, delivering on Social Security’s promise to the American people requires ensuring that the Social Security Administration has the resources it needs to administer its programs and ensure high-quality customer service.

1. Social Security is key to the economic security of American workers and families, and the vast majority simply cannot afford cuts to already modest benefits.

Social Security has been an integral part of American life for nearly a century. The bedrock of America’s social insurance system, Social Security serves as the foundation of retirement security for the vast majority of American workers. In addition to retirement benefits, Social Security provides a suite of insurance that provides essential economic protection across the lifespan—yes, for those of us lucky enough to make it to retirement, *and* also for those of us who experience life-changing disability that impacts our ability to work, or who lose a breadwinner. Fully 1 in 5 Social Security beneficiaries receive disability benefits or survivor’s benefits because they lost a parent who died prematurely.

This year alone, approximately 68 million Americans are receiving some type of Social Security benefit: around 53 million receive retirement benefits, nearly 6 million receive survivors’ benefits, and nearly 8 million receive disability insurance benefits.

Benefits are incredibly modest, yet absolutely vital to the economic well-being of the individuals and families who receive them. Focusing on the retirement side, given the focus of today’s hearing: the average monthly Social Security retirement benefit in 2024 is \$1,864. For roughly 40 percent of retirees, Social Security makes up half or more of their income; for 1 in 7, it makes up 90 percent or more.¹ For the typical retiree, it replaces less than 40 percent of their pre-retirement income.² The program provides especially important economic protection for older women, people of color, and disabled workers, who are disproportionately likely to lack other sources of income in retirement.

¹ Irina Dushi and Brad Trenkamp, “Improving the Measurement of Retirement Income of the Aged Population,” SSA, ORES Working Paper No 116, January 2021, <https://www.ssa.gov/policy/docs/workingpapers/wp116.html>.

² Kyle Burkhalter and Chris Chaplain, “Replacement Rates for Hypothetical Retired Workers,” SSA, Office of the Chief Actuary, Actuarial Note Number 2023-9, March 2023, <https://www.ssa.gov/OACT/NOTES/ran9/an2023-9.pdf>.

What would the picture be without Social Security? Nearly 4 in 10 older adults would have incomes below the poverty line, compared with 1 in 10 today. And without the disability insurance it provides, more than 4 in 10 non-elderly disabled adults would live below the poverty line, compared with roughly 1 in 4 today. All told, at least 23 million more U.S. adults and children would live below the federal government’s official poverty line, if not for Social Security.

When we talk about Social Security, it’s easy to get lost in facts and figures, bend points, and percentages of payroll—and all too often, that’s where ivory tower debates around Social Security remain. But Social Security isn’t just a government program. And it isn’t just a math problem to be solved. It’s a reflection of our shared values as Americans, of our shared awareness that we’re all in this together, and that we are all interconnected. The reason there’s so much bipartisan support and love for this program is that we feel this not just at a financial level, but at a human and spiritual level. It’s that feeling inside of us that we all know when we see someone in need.

Former NFL player and now Social Security disability insurance beneficiary Steve Gleason spoke to this dimension of the program recently as part of a White House event marking the 89th anniversary of the program when he said: *Social Security is more than just a safety net; it embodies our nation’s values of compassion, service, support, and unity. It says that we, as a society, believe in taking care of our most vulnerable members, while ensuring they have the resources we all need to live as independently as possible. Social Security is a commitment we make to each other.*³

When you ask people receiving Social Security what it means to them—and what they would do without it, or if it were cut—you hear that they wouldn’t be able to pay their bills or afford enough food to last the month; that they’d be cutting pills in half; that they wouldn’t be able to live independently; that they’d have to “work until they die.” These are the people we must keep front of mind as we think about the future of this vital program—and the importance of strengthening its finances. They are our grandmothers and grandfathers, our parents, our uncles and aunts, our sisters and brothers, our friends and neighbors. And someday, if not already, they will be us.

Finally, before I move on from the critical importance of America’s Social Security system to workers and families, I want to take a brief moment to mention Supplemental Security Income, or SSI, which is marking 50 years of providing benefits to very low-income disabled and older people. While SSI isn’t operated out of the Social Security trust funds, it constitutes a critical part of the Social Security system. And while SSI benefits are even more modest than Social Security—at just \$943 per month in

³ White House celebration of Social Security’s 89th anniversary, August 14, 2024, <https://youtu.be/yy3N-LycudE>.

2024, SSI benefits are not enough on their own to bring an individual above three quarters of the federal poverty line—SSI also plays a critical role in blunting the effects of poverty and hardship for more than 7 million Americans with disabilities and older adults, including nearly 1 million disabled children. Importantly, SSI also boosts the incomes of roughly 2.5 million “concurrent beneficiaries,” for whom SSI acts as a vital supplement to very low monthly Social Security payments.

2. Keeping Social Security’s promises for current and future generations will require strengthening Social Security’s financing.

Social Security currently faces a significant, though manageable long-term financing shortfall. While its trust funds currently have \$2.8 trillion in reserves, Social Security’s trustees forecast that the program’s reserves will be depleted by the year 2034 if policymakers do not act. In that event, while Social Security would still be able to pay roughly 80 percent of promised benefits, we would see an across-the-board benefit cut that the vast majority of beneficiaries simply cannot afford—and which I trust none of you want to see jeopardize the financial well-being of millions of your constituents.

Options to address Social Security’s financing gap fall into two primary categories: *increasing revenues* and *cutting benefits*. While benefit cuts are simply unaffordable for the vast majority of Social Security beneficiaries, Senator Whitehouse’s Medicare and Social Security Fair Share Act demonstrates that the program’s long-term financing shortfall isn’t just manageable; it can be more than fully addressed without cutting benefits. As policymakers consider the options for Social Security’s future, understanding how recent economic trends have impacted its financing is of great value.

The effect of recent economic trends on Social Security’s finances:

When major action was last taken to address Social Security’s financing in 1983—through a set of changes that mostly relied on benefit cuts, including raising the retirement age and delayed COLAs—policymakers believed they were extending the program by 75 years. So, how did it come to be that Social Security’s actuaries are now projecting reserve depletion will occur in 2034 instead of 2057 if Congress fails to act?

According to Social Security’s actuaries, in addition to declining U.S. fertility rates, what was unanticipated in 1983 was the tremendous increase in income inequality the nation has experienced in recent decades. In short, rising earnings inequality at levels unforeseen by SSA actuaries has

dramatically hastened the program’s revenue shortfall, as more and more of the nation’s high earners’ wages have avoided taxation for Social Security.⁴

In 1983, 90 percent of covered wages were captured by Social Security’s payroll tax cap; today that figure is down to roughly 82 percent, a 50-year low. As a result, the very wealthiest Americans stop paying into Social Security just a few days or weeks into the year, while average earners pay in all year round. Social Security’s revenues have taken an enormous hit as a result in the decades since. Had the share of covered wages remained fixed at 90 percent since 1983, today, the Old Age and Survivors Insurance Trust Fund would have more than \$1.4 trillion in additional reserves, which alone would close more than one-quarter of the long-term shortfall the program faces today.⁵

Another recent economic trend that has implications for Social Security’s financing is that a growing share of wealthy Americans’ income now comes from sources other than wages—such as investment income and “pass-through” business income. As with their wages over Social Security’s payroll tax cap, wealthy people do not pay Social Security taxes on these other forms of income. And on the flip side, wage stagnation impacting lower- and middle-income workers has further depressed Social Security contributions, as well.

With these trends in mind, let’s take a look at some of the most frequently discussed proposals to close Social Security’s long-term financing gap and what they would mean for the program’s financing as well as its current and future beneficiaries.

Proposals to increase Social Security’s revenues:

Reforming the payroll tax cap. One of the most popular policy options for increasing revenues is increasing or eliminating Social Security’s payroll tax cap, to stop the program’s revenue leak and ensure that wealthy earners contribute their fair share. A variety of options have been proposed to reform the payroll tax cap. Some would lift the cap to return it to 90 percent of covered wages; some would eliminate the cap altogether; and some would create a “donut hole” to avoid impacting people

⁴ Steve Goss, “Social Security Actuarial Status: The 2024 Annual Report of the Board of Trustees of the OASI and DI Trust Funds.” Presentation to the National Academy of Social Insurance, May 15, 2024.
https://www.nasi.org/wp-content/uploads/2024/05/TR2024_Presentation_-_NASI-0515-FINAL-2.pdf

⁵ Josh Bivens and Elise Gould. “A Record Share of Earnings Was Not Subject to Social Security Taxes in 2021: Inequality’s Undermining of Social Security Has Accelerated,” Economic Policy Institute, January 2023,
[https://www.epi.org/blog/a-record-share-of-earnings-was-not-subject-to-social-security-taxes-in-2021-inequalitys-undermining-of-social-security-has-accelerated/#:::text=In%202020%20and%202021%2C%20the,50%20years%20\(since%201972\);](https://www.epi.org/blog/a-record-share-of-earnings-was-not-subject-to-social-security-taxes-in-2021-inequalitys-undermining-of-social-security-has-accelerated/#:::text=In%202020%20and%202021%2C%20the,50%20years%20(since%201972);)
Rebecca Vallas, Christian Wellner, Rachel West, and Jackie Odum. “The Effect of Rising Inequality on Social Security,” Center for American Progress, February 2015,
<https://www.americanprogress.org/article/the-effect-of-rising-inequality-on-social-security/>.

with incomes under \$400,000 per year. *Depending on their design, actuarial projections indicate these types of proposals would close between 19 and 60 percent of the current financing gap.*

Gradually increasing the payroll tax rate. The current combined Federal Income Contributions Act (FICA) rate is 12.4 percent, with workers and employers each contributing half of that to the program—or 6.2 percent on wages earned or wages paid up to the maximum of \$168,600 in 2024. While raising the rate would impact lower as well as higher earners, polling indicates that large majorities of Americans are willing to contribute more to strengthen the program. *For example, actuarial projections indicate that gradually raising the rate to 7.2 percent over two decades would close roughly 40 percent of the gap.*

Identifying new sources of revenue for Social Security. Some have proposed applying the FICA rate to income types that now make up a disproportionately greater share of wealthy earners' incomes. For example, Senator Whitehouse's Medicare and Social Security Fair Share Act would treat investment income and income from "pass through" businesses like wages, by asking wealthy people who make over \$400,000 from those types of income to make Social Security contributions on those income streams. *Actuarial projections indicate that these two options, together with imposing the FICA rate on earned income over \$400,000 per year, would cover more than 100 percent of the long-term gap.*

Proposals to cut Social Security benefits:

Further increasing Social Security's retirement age. Some, including the House Republican Study Committee, have proposed to further increase Social Security's retirement age to 68 or even 69. Social Security's retirement age has already risen from 65 to 67, as changes legislated in 1983 continue to phase in. Further raising the retirement age to 69 would amount to a 13 percent benefit cut for all new retirees, and as the Academy's Task Force on Older Workers' Retirement Security found last year,⁶ would cause serious hardship for low-income workers already at risk of facing significant retirement insecurity—including the more than 10 million older workers in physically challenging jobs who are already struggling to make it to the current full retirement age.

Workers who claim Social Security early because they are unable to make it to full retirement age face a steep lifetime benefit reduction. It is important to consider that while wealthier workers have seen increases in life expectancy, those with lower incomes and lower levels of education are not seeing the

⁶ "A Report of the Older Workers' Retirement Security Task Force: Older Workers in Physically Challenging Jobs Need Stronger Social Insurance Supports," National Academy of Social Insurance, September 2024, <https://www.nasi.org/pressrelease/older-workers-in-physically-challenging-jobs-need-stronger-social-insurance-supports/>.

same gains.⁷ *Actuarial projections indicate that, depending on design, these proposals would reduce the financing gap by 15 to 20 percent.*

Switching to a less generous COLA. Some have proposed slowing the increase of Social Security benefits by switching to a less generous cost-of-living adjustment formula—for example, by basing it on the chained Consumer Price Index, which assumes that consumers will switch to categories of goods and services with smaller price increases. This would cause benefits to increase more slowly, with benefit cuts adding up over time. *Actuarial projections indicate this proposal would reduce the long-term financing gap by roughly 17 percent.*

Switching to a benefit formula that reduces benefits for people with incomes over a certain threshold. Some have proposed changing Social Security’s benefit formula so that people with incomes over a certain threshold receive smaller benefits. It is important to recognize that many of these types of proposals would shrink benefits for people with middle-class incomes. For example, one version of this proposal would adjust the formula so that workers with earnings above the 60th percentile (currently about \$68,000 per year) would see benefits reduced in proportion to their lifetime earnings. The risk of these types of proposals is that they would make it even more difficult for middle-class workers to retire without drastic reductions in their standard of living, which would also likely diminish universal support for Social Security. *Actuarial projections indicate that this proposal would reduce the long-term financing gap by 23 percent.*

Convert Social Security’s structure to a flat benefit. Some have proposed dramatically restructuring Social Security to function more like SSI. In addition to shattering the current structure of the program, these types of proposals would dramatically weaken retirement security for a huge number of lower-income and middle-income individuals and families, most of whom would face substantial benefit cuts if such a proposal were to take effect. While such proposals are generally underpinned by the argument that Social Security beneficiaries are living high on the hog, in reality: today, roughly one-quarter of older U.S. households have incomes less than \$20,000; roughly half are getting by on less than \$50,000; and more than 3 in 4 live on less than \$100,000.⁸ And as noted above, most retirees rely on Social Security as their primary or sole source of retirement income.

Support is growing for strengthening Social Security’s benefits.

With growing concern about U.S. retirement insecurity, and poverty among older adults on the rise, a growing share of policymakers—as well as Americans across the political spectrum—agree that

⁷ See Ibid.

⁸ Irina Dushi and Brad Trenkamp, “Improving the Measurement of Retirement Income of the Aged Population,” SSA, ORES Working Paper No 116, January 2021, <https://www.ssa.gov/policy/docs/workingpapers/wp116.html>.

increasing benefits should be a priority as part of upcoming action to secure Social Security's future. To that end, many recent Social Security proposals include policies to strengthen benefits in tandem with reforms that strengthen the program's financing.

Some of the most frequently discussed options to strengthen Social Security's benefits include increasing benefits for all retirees; boosting benefits for older beneficiaries, such as those 85+; switching to a COLA formula that more accurately captures the cost of living for older and disabled people; implementing a caregiving credit to boost benefits for workers who take time out of the workforce to provide care; and establishing a "bridge benefit" to increase retirement security for workers unable to make it to retirement age, to protect them from the lifetime benefit reduction that comes with claiming Social Security early.⁹ And on the disability side, eliminating the 5-month waiting period for disability insurance and the 24-month waiting period for Medicare are also frequently discussed.

Updating SSI as part of Social Security reform.

As policymakers consider policy options to secure Social Security's future, making long-overdue updates to SSI should be considered within that context. As we mark the 50th anniversary of SSI payments, key elements of the program are desperately in need of an update, including asset limits that haven't been updated for inflation in 40 years, and which now serve as one of the most regressive anti-savings penalties in federal law today.

Other outdated aspects of SSI include income rules that have never been updated for inflation since the program's inception; marriage penalties that keep beneficiaries from marrying the person they love; and a federal benefit rate that is not sufficient to bring an individual above 75 percent of the federal poverty line, despite the program's original bipartisan intent of ensuring that "older and disabled people would never have to subsist on below-poverty incomes."

Fortunately, we have seen historic bipartisan momentum to update SSI's antiquated asset limits as part of larger conversations about retirement security; for example, the SSI Savings Penalty Elimination Act is championed by both Republicans and Democrats on this committee. Just as Medicare and Medicaid are deeply intertwined, Social Security and SSI are as well; for example, there are some 2.5 million concurrent beneficiaries, who receive SSI to supplement very low Social Security benefits. As such, policymakers would do well to consider SSI and Social Security together.

⁹ For a discussion of proposals to create a "bridge benefit" to protect lower-income older workers unable to make it to full retirement age, please see the report of the Academy's Task Force on Older Workers' Retirement Security in note 6.

3. Keeping Social Security’s promises to the American people requires ensuring that SSA has the resources it needs to administer its programs and ensure high-quality customer service.

As you heard from Commissioner Martin O’Malley, SSA’s appropriated administrative resources, as a share of benefits it pays to beneficiaries, have shrunk by one-fifth over the last decade—while the number of beneficiaries it serves has grown by an even greater share. Compared with FY 2015, when Congress allowed an SSA funding level equivalent to 1.26 percent of benefit outlays, in FY 2024, the agency’s funding level had declined to 0.94 percent. By contrast, as Commissioner O’Malley frequently notes, private sector insurance companies generally run on closer to 20 percent overhead. As a result, SSA staffing is at its lowest levels in more than 25 years.

The human consequences of inadequate SSA customer service are as preventable as they are shameful. Delays in accessing SSA’s programs—which provide what is often survival income—cause struggling individuals and families to be unable to pay their bills, skip meals, go without needed medical care, and even lose their homes. Perhaps most alarmingly, *thousands of people die every year waiting for disability benefits*, due in large part to unacceptable hearing backlogs that are the result of inadequate administrative funding. Indeed, according to the Government Accountability Office: between FY 2008 and FY 2019, 109,725 applicants for disability benefits died waiting on their appeals,¹⁰ and still more have died waiting for decisions since then. A more recent analysis found these numbers climbed to 30,000 deaths in FY 2023.¹¹ It doesn’t have to be this way.

Commissioner O’Malley deserves serious credit for making improving Social Security’s customer service a top priority. He has taken many long-overdue steps that improve efficiency for the agency, reduce burdensome workloads, and help claimants and beneficiaries. A notable example is his action to reform the agency’s handling of overpayment clawbacks, which can unjustly impoverish already struggling beneficiaries. Worth noting, a policy option that could further reduce this burdensome workload for SSA while also protecting beneficiaries would be for Congress to institute a statute of limitations on overpayment clawbacks. Additionally, many of the steps to update SSI described earlier, such as updating SSI’s asset limits, would further reduce a burdensome workload for SSA staff.

¹⁰ Government Accountability Office, “Social Security Disability, Information on Wait Times, Bankruptcies, and Deaths Among Applicants Who Appealed Benefit Denials,” August 2020, <https://www.gao.gov/products/gao-20-641r>.

¹¹ Natalie Alms, “30,000 Died in Fiscal 2023 Waiting for Disability Decisions from Social Security,” Nextgov.com, April 2024, <https://www.nextgov.com/digital-government/2024/04/30000-died-fiscal-2023-waiting-disability-decisions-social-security/395796/>.

As Congress considers government funding in the upcoming continuing resolution, the White House has requested that SSA's administrative functions be funded at \$15.4 billion, an increase from its current \$14.2 billion allocation. Without this anomaly, SSA staffing could potentially reach the lowest levels it has seen in 50 years. Congress must do its part to ensure SSA is able to provide high-quality customer service to ensure we, our friends, neighbors, loved ones, and fellow community members—and, in particular, people with disabilities and older adults—are all able to access SSA's critical programs when we need them most.

In Conclusion:

At a time of historic levels of political polarization and partisanship, Social Security remains something Americans of all views and walks of life can agree on. Public opinion research over the years consistently tells us the same thing: the American people love Social Security and don't want to see it cut; Americans want to see their policymakers bring in the revenues we need not just to prevent cuts, but to strengthen benefits; and large majorities support not only seeing the wealthy contribute more, but even modest across-the-board increases to the FICA rate, in order to achieve those goals.¹²

Now is the time for policymakers to work together to secure and strengthen Social Security for generations to come. It is heartening to hear policymakers across the political spectrum state their commitment to keeping Social Security's promises to the American people—and their opposition to cutting benefits. As Senator Whitehouse's Medicare and Social Security Fair Share Act demonstrates, it is eminently possible to keep those promises—and to strengthen Social Security's finances indefinitely without harmful cuts that would jeopardize millions of people's economic security—if policymakers take action to correct for revenue leaks that have weakened the program considerably in recent decades.

Thank you for inviting me to be part of this important conversation. The Academy and our members stand at the ready to be a nonpartisan, evidence-based resource to this Committee on these critical issues moving forward. And I look forward to answering any questions you have.

¹² See, for example, Kelly Kenneally and Tyler Bond, "Americans' Views of Social Security," National Institute for Retirement Security, July 2024, <https://www.nirsonline.org/reports/socialsecurity2024/>; Kim Parker, Rich Morin, and Juliana Menasce Horowitz, "Looking to the Future, Public Sees an America in Decline on Many Fronts," Pew Research Center, March 2019, <https://www.pewresearch.org/social-trends/2019/03/21/public-sees-an-america-in-decline-on-many-fronts/>; Data for Progress polling, June 2022, https://www.filesforprogress.org/datasets/2022/6/dfp_june22_ss_updated_tabs.pdf; National Academy of Social Insurance, "Americans Make Hard Choices on Social Security: A Survey with Trade-off Analysis," October 2014, <https://www.nasi.org/research/disability/report-americans-make-hard-choices-on-social-security-a-survey-with-trade-off-analysis>.

TESTIMONY OF
Roger Boudreau, President
Rhode Island AFT Retirees Chapter
Before the U.S. Senate Committee on the Budget
“Social Security Forever: Delivering Benefits and Protecting Retirement Security”
Sept. 11, 2024

Chairman Whitehouse, Ranking Member Grassley and members of the committee; it is an honor to participate in this important hearing.

Mr. Chairman, I would especially like to thank you for the opportunity to speak on behalf of my fellow Rhode Islanders who rely on Social Security to make ends meet in retirement. In my capacity as president of the Rhode Island AFT Retirees chapter and vice-president of our state’s chapter of the Alliance for Retired Americans, I’ve worked and advocated with Rhode Island seniors from across our great state since retiring from the teaching profession. My activism is driven by the belief that older Americans deserve to retire with dignity after years spent in the workforce and caring for their families. Before retiring, I worked for 28 years, first as a middle school and then high school English teacher in the Town of Lincoln Public Schools in Rhode Island.

Social Security plays a significant role in the lives of so many older citizens in Rhode Island and around the country. Since its enactment in 1935 by President Franklin Roosevelt, Social Security has been transformative. When it became law, an estimated 50 percent of American seniors lived in poverty; nearly nine decades later, elder poverty hovers around 10 percent. The Social Security Administration estimates that 97 percent of older adults ages 60-89 either receive or will receive benefits. That universality provides some level of retirement security at all income levels, but it is especially important for lower-income earners for whom, in many cases, it is the sole source of income. Without Social Security benefits, 4 in 10 seniors would have incomes that fall below the poverty level. In Rhode Island, over 230,000 people, more than 20 percent of the state’s population, receive Social Security benefits. Nearly half of Americans age 55 and older have no retirement accounts. When I speak with retired and older Rhode Islanders and other seniors around the country, the future of Social Security and Medicare is always paramount. It does not matter if they have worked in factories, offices, hospitals or classrooms, the health of these programs is a top priority.

When we talk about Social Security, it is often cast as an issue only impacting older Americans, but we should not forget that it is also the largest anti-poverty program for children in the United States. As someone who spent my career teaching young people, I would be remiss not to remind the committee that the benefits Social Security provides for children when they have a parent die or become severely disabled can make all the difference in the world.

Ask any teacher, and they will tell you that problem-solving, no matter what subject you teach, is one of the key skills you work to instill in your students. The challenge of protecting and strengthening Social Security is a problem with a clear solution: finally ensure that the wealthy pay their fair share in taxes.

To this end, it is time for Congress to enact the Medicare and Social Security Fair Share Act, which would ensure solvency for the Social Security Trust Fund for the next 75 years by taxing all income over \$400,000.

This would provide enough revenue to preserve the program with room to strengthen and expand Social Security in the following ways:

- We could raise benefits for the poorest Social Security recipients and the oldest recipients.
- We could finally do away with the Windfall Elimination Provision and the Government Pension Offset, which hurt so many retired public servants across Rhode Island, by passing S. 597, the Social Security Fairness Act, legislation co-sponsored by more than 60 senators that recognizes the unfairness and importance of repeal.
- We could restore the student benefits up to age 22 for children of disabled or deceased workers.
- And we could strengthen benefits for people with disabilities.

The wealthy finally paying their fair share is long past due, and now is the time to act!

If federal lawmakers do nothing, millions of Americans will see a cut in their earned Social Security benefits. The impending threat of Social Security benefit cuts, especially to those most financially vulnerable, should be totally unacceptable when multiple options to address Social Security funding are available. While Congress often waits until the 11th hour to address critical issues, like preserving the stability of the Social Security trust funds, Mr. Chairman, you understand that many of the people I represent are facing real challenges in making ends meet in retirement. Many of us have been public servants, dedicated to doing our part in building and improving our communities. Rhode Island retirees and seniors deserve dignity and respect, not uncertainty about whether they will be financially secure in their retirement years.

Thank you again for the opportunity to be heard on this most critical issue for senior Americans.



TESTIMONY

Social Security's Finances

Molly Dahl
Chief of Long-Term Analysis

Before the Committee on the Budget
United States Senate

SEPTEMBER 11 | 2024

Chairman Whitehouse, Ranking Member Grassley, and Members of the Committee, thank you for inviting me to testify about the Social Security program.

Social Security faces a significant financial challenge in the coming decade. The program is financed by revenues from payroll taxes and from income taxes on Social Security benefits; those revenues are credited to the Old-Age and Survivors Insurance (OASI) Trust Fund and the Disability Insurance (DI) Trust Fund. The Congressional Budget Office projects that starting in a decade, Social Security's revenues will not be sufficient to cover all of the benefits that are due under current law.

CBO's latest analysis of the program's finances reached the following conclusions:¹

- If all benefits are paid as scheduled under current law, the balance of the OASI trust fund will decline to zero in fiscal year 2033, and the balance of the DI trust fund will do the same in 2064.² If the two trust funds were combined, their balance would be exhausted in fiscal year 2034.
- The trust funds' balances would be sufficient to pay benefits as scheduled under current law for the next 75 years if the Social Security payroll tax rate was increased immediately and permanently by 35 percent—from the current rate of 12.4 percent of taxable earnings to 16.7 percent—or if benefits were reduced by 24 percent. Alternatively, Social Security's finances could be bolstered through a combination of changes to taxes and benefits or through transfers from the general fund of the Treasury to the trust funds.
- Long-term projections of Social Security's finances are highly uncertain—in particular because of uncertainty about demographic and economic trends. For instance, if the economy grows more quickly than CBO projects, the trust funds' annual revenues will be greater, and the changes to taxes or spending that would be necessary to pay benefits as scheduled under current law through 2098 would be smaller. If, instead, the economy grows more slowly than projected, revenues will be smaller, and the necessary changes would be larger.

1. For more details, see Congressional Budget Office, *CBO's 2024 Long-Term Projections for Social Security* (August 2024), www.cbo.gov/publication/60392.

2. Unless indicated otherwise, the years referred to in this testimony are calendar years. When fiscal years are mentioned, they are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end.

CBO's 75-year projections for Social Security are based on a detailed microsimulation model that starts with data about individuals from a representative sample of the population and simulates demographic and economic outcomes for that sample over time.³ Those demographic and economic outcomes are consistent with the ones CBO uses in its baseline projections and in its estimates and analyses.

CBO projects Social Security's finances over the long term under two scenarios that incorporate different assumptions about the amount of benefits that would be paid after the balances of the trust funds were exhausted:

- In the scheduled-benefits scenario, people's benefits are paid as scheduled under current law, regardless of whether the balances of the Social Security trust funds are sufficient to cover those payments.
- In the payable-benefits scenario, total benefits are limited to the amounts that can be paid from Social Security's annual revenues once the combined balance of the trust funds is exhausted.

In the rest of this testimony, I will provide more details about CBO's two sets of projections of Social Security's finances and key sources of uncertainty about those projections.

The Scheduled-Benefits Scenario

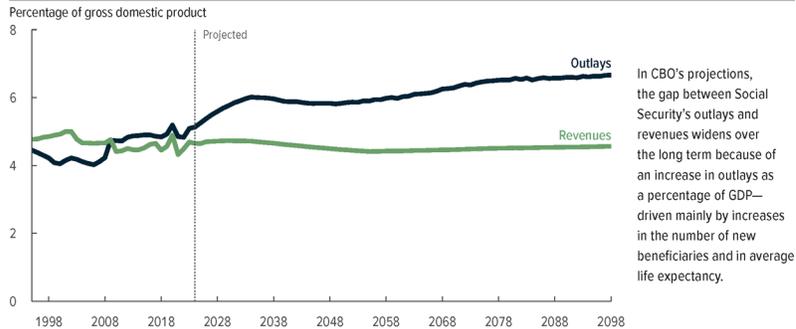
CBO's baseline budget projections for Social Security are required by statute to reflect scheduled benefits.⁴ The agency projects that if Social Security benefits were paid as scheduled, spending for the program would rise from 5.1 percent of gross domestic product (GDP) in 2024 to 6.7 percent of GDP in 2098 (see Figure 1).⁵ In CBO's projections, most of that increase occurs over the next

3. Congressional Budget Office, *An Overview of CBOLT: The Congressional Budget Office Long-Term Model* (April 2018), www.cbo.gov/publication/53667.

4. Congressional Budget Office, *CBO Explains the Statutory Foundations of Its Budget Baseline* (May 2023), www.cbo.gov/publication/58955.

5. CBO's long-term projections for Social Security follow the agency's 10-year baseline budget projections and then extend most of the concepts underlying those projections. The long-term budget projections described here are based on CBO's June 2024 baseline budget and economic projections and January 2024 demographic projections. See Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2024 to 2034* (June 2024), www.cbo.gov/publication/60039, and *The Demographic Outlook: 2024 to 2054* (January 2024), www.cbo.gov/publication/59697.

Figure 1.

Social Security's Outlays and Revenues, With Scheduled Benefits

Data source: Congressional Budget Office. See www.cbo.gov/publication/60392#data.

Scheduled benefits are benefits as calculated under the provisions of the Social Security Act, regardless of the balances of the Social Security trust funds. Outlays consist of scheduled benefits, administrative costs, and transfers to the Railroad Retirement program (which pays retirement benefits to railroad workers and their families). Revenues consist of payroll taxes, income taxes on benefits, and reimbursements from the general fund of the Treasury to make up for reductions in payroll tax rates in 2011 and 2012.

decade, as members of the baby boom generation continue to retire. Growth in the number of Social Security beneficiaries slows after 2034, when the youngest baby boomers turn 70 (the age by which nearly all recipients claim Social Security benefits). Nevertheless, outlays for Social Security continue to grow as a percentage of GDP, albeit slowly, through 2098 and beyond because of projected increases in life expectancy.

Unlike outlays, revenues for Social Security are projected to change little in relation to GDP over the next 75 years, remaining close to their average of 4.5 percent of GDP from 2024 to 2098. In CBO's projections, a slight decline in payroll tax revenues is offset by a slight increase in revenues from income taxes on Social Security benefits, leaving total revenues for the program fairly stable during that period, a trend that would continue after 2098.

Payroll taxes decrease slightly relative to GDP in CBO's projections because earnings grow more quickly for higher earners than for lower earners. As a result, the amount of earnings below the maximum amount subject to the Social Security payroll tax declines as a percentage of GDP over the next three decades. (That percentage is projected to remain stable thereafter.) Revenues from income taxes on Social Security benefits increase slightly

as a percentage of GDP because the structure of the individual income tax means that, over time, the percentage of benefits that are taxed increases, as does the average tax rate they are subject to.

Several measures that are commonly used to assess Social Security's finances include the exhaustion dates for the balances of the trust funds, the actuarial balance, and the sustainability of the program. A trust fund's balance is exhausted when it reaches zero. The actuarial balance summarizes the current balance of a trust fund and its annual streams of revenues and outlays over a future period, such as 75 years, in a single number.⁶ (A negative actuarial balance is called an actuarial deficit.) Sustainability is an important consideration because policies that would eliminate a 75-year actuarial deficit might not ensure the program's solvency after that period.

6. The actuarial balance is the sum of the present value of projected income and the current trust fund balance minus the sum of the present value of projected outlays and a year's worth of benefits at the end of the projection period. (A present value is a single number that expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid today. Such a value depends on the discount rate that is used to translate a cash flow in a future year into current dollars.)

Exhaustion of Trust Fund Balances

In CBO's projections, the amount in the OASI trust fund continues to decline steadily in relation to annual outlays in the coming years as spending outpaces income to the trust fund. The balance of that trust fund is exhausted in fiscal year 2033. The flow of income to the DI trust fund, by contrast, increases in relation to outlays in each of the next 14 years as income exceeds spending. The balance of the DI trust fund is exhausted in 2064. If the balances of the two trust funds were combined, they would be exhausted in fiscal year 2034.

Actuarial Balance

The Social Security program as a whole has a 75-year actuarial deficit equal to 1.5 percent of GDP or 4.3 percent of taxable payroll (the total payroll subject to the Social Security tax), CBO projects.

That actuarial deficit implies that the federal government could pay the Social Security benefits prescribed by current law through 2098 and have trust fund balances equal to a year's benefits at the end of that period if the payroll tax rate was raised immediately and permanently by 4.3 percentage points (or 35 percent)—from the current rate of 12.4 percent of taxable earnings to 16.7 percent.⁷ Decreasing spending on benefits to achieve the same goal would require reducing scheduled benefits by 24 percent (an amount equivalent to 4.3 percent of taxable payroll). Other ways to maintain the necessary trust fund balances include combining tax increases with benefit reductions or transferring money to the trust funds.⁸

Sustainability

A policy that increased revenues or reduced outlays by the same percentage of taxable payroll each year (or made an equivalent combination of such changes) to eliminate the 75-year shortfall would not ensure Social Security's solvency after 2098. Estimates of the actuarial deficit

7. This analysis excludes the effects of changes in taxes or spending on people's behavior and the economy. Those effects, which would depend on the specifics of the policy change, would alter the size of the tax increase or benefit reduction needed to eliminate the actuarial deficit.

8. For a discussion of policy options to address the Social Security program's finances, see Congressional Budget Office, *Options for Reducing the Deficit, 2023 to 2032—Volume I: Larger Reductions* (December 2022), www.cbo.gov/publication/58164, *Options for Reducing the Deficit, 2023 to 2032—Volume II: Smaller Reductions* (December 2022), www.cbo.gov/publication/58163, "How Changing Social Security Could Affect Beneficiaries and the System's Finances" (interactive tool, April 2019), www.cbo.gov/publication/54868, and *Social Security Policy Options, 2015* (December 2015), www.cbo.gov/publication/51011.

do not account for revenues or outlays after the 75-year projection period. CBO projects that the gap between Social Security's revenues and outlays would widen thereafter. Although a policy to eliminate the 75-year actuarial deficit would create annual surpluses in the next three decades, it might result in growing annual deficits later and might not leave Social Security on a sustainable financial path beyond 2098.

The Payable-Benefits Scenario

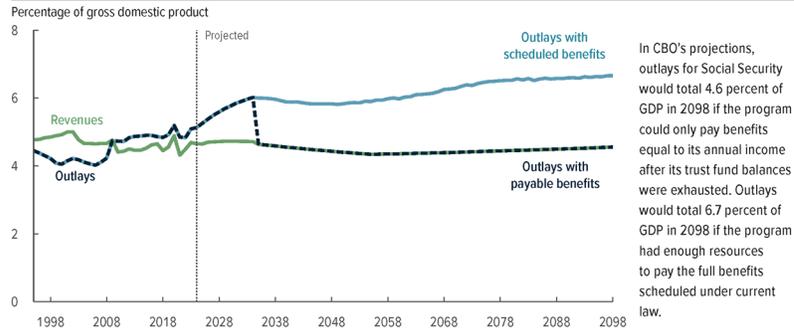
The Social Security projections discussed above reflect the assumption that the program would continue to pay benefits as scheduled under the provisions of the Social Security Act, regardless of the balances of the trust funds. To show how the exhaustion of those balances might affect benefits, CBO also projects Social Security benefits under the assumption that they would be limited to the amounts payable from the program's dedicated funding sources.

Once the trust funds' balances decline to zero, as CBO projects they will, the Social Security Administration will no longer be able to pay full benefits when they are due (although beneficiaries will remain legally entitled to full benefits). Thereafter, annual outlays would be limited to annual revenues, and payments to beneficiaries would be reduced. (The method for reducing payments is not prescribed in current law.) Thus, in CBO's projections, payable benefits equal scheduled benefits until the combined trust funds' balance is exhausted in fiscal year 2034; after that, total payable benefits are the same as the program's annual revenues (see Figure 2).

In 2035, Social Security's revenues are projected to equal 77 percent of the program's scheduled outlays. Thus, CBO estimates that Social Security benefits would be reduced by 23 percent in 2035 under the payable-benefits scenario. In CBO's projections, about 82 million people (roughly one-fifth of the population) receive OASI or DI benefits in 2035. The gap between scheduled and payable benefits would equal 28 percent by 2098 and remain stable thereafter.

For that estimate, CBO treats the OASI and DI trust funds as a combined entity. If the two funds were treated as separate entities, as under current law, and the transfer of resources between them was not permitted, the reductions in scheduled benefits under the payable-benefits scenario would begin in 2034 for OASI and in 2065 for DI, CBO estimates. OASI benefits would have to be reduced by 25 percent in 2034, and DI benefits would have to be reduced by 13 percent in 2065. By 2098, the gap between scheduled and payable benefits would equal 30 percent for OASI and 6 percent for DI.

Figure 2.

Social Security's Outlays and Revenues, With Scheduled and Payable Benefits

Data source: Congressional Budget Office. See www.cbo.gov/publication/60392#data.

Scheduled benefits are benefits as calculated under the provisions of the Social Security Act, regardless of the balances of the Social Security trust funds.

Payable benefits are scheduled benefits reduced as necessary to ensure that outlays do not exceed the Social Security system's revenues once the combined balance of the Social Security trust funds is exhausted. If a trust fund's balance declined to zero and current revenues were insufficient to cover benefits specified in law, the Social Security Administration would no longer be permitted to pay full benefits when they were due. In the years after a trust fund's balance was exhausted, annual outlays would be limited to annual revenues.

Outlays consist of benefits, administrative costs, and transfers to the Railroad Retirement program (which pays retirement benefits to railroad workers and their families). Revenues consist of payroll taxes, income taxes on benefits, and reimbursements from the general fund of the Treasury to make up for reductions in payroll tax rates in 2011 and 2012. The revenues shown here are consistent with payable benefits. (They would be slightly higher if scheduled benefits were paid, because revenues from income taxes paid on those benefits would be higher.)

In CBO's assessment, the reductions in benefit amounts under the payable-benefits scenario, which would affect millions of people, would reduce the nation's economic output in the short term and increase it in the long term. That projected outcome is the net result of four key effects:

- Retirees would have less income and would be able to consume less, dampening the overall demand for goods and services and causing output in the years immediately after the trust funds' exhaustion to be smaller than CBO currently projects.⁹ If benefits were reduced equally for all Social Security beneficiaries after the balances of the trust funds were exhausted, the number of beneficiaries living in poverty would increase.¹⁰
- Some people would find it necessary to work more or to remain in the labor force longer than they would have otherwise, which would expand the supply of labor and thus the economy's output in the long term.
- Some workers who had not yet retired would respond to the prospect of smaller Social Security benefits by boosting their saving and reducing their spending. Those changes would lessen the effect that smaller future benefit payments would have on households' future income and spending. The resulting increases in saving would boost the stock of private capital and economic output in the long term.
- Federal debt would be smaller than projected in CBO's extended baseline. That smaller debt would increase the amount of money available for private investment in capital goods and services, boost the stock of private capital, and increase output in the long term.

9. Congressional Budget Office, *The Long-Term Budget Outlook Under Alternative Scenarios for the Economy and the Budget* (July 2023), www.cbo.gov/publication/59233.

10. Kathleen Romig, *Social Security Lifts More People Above the Poverty Line Than Any Other Program* (Center on Budget and Policy Priorities, January 31, 2024), <https://tinyurl.com/2tpvpxfd>.

CBO estimates that, on average, lifetime spending would decline by a larger percentage, and lifetime hours worked

would increase more, for households with less lifetime income than for those with more lifetime income.

Key Sources of Uncertainty

Long-term projections, such as CBO's 75-year outlook for Social Security's finances, are inherently uncertain. If demographic trends or economic conditions differed from what CBO projects, actual spending and revenues for Social Security would also differ from the projected amounts. Such discrepancies could be especially large in the later years of the projection period because differences in the underlying projections would compound over time.

Demographic Trends

Projections of demographic factors—including fertility, mortality, and net immigration—are uncertain. If trends in fertility diverged from CBO's projections, which include delayed childbearing, overall fertility rates would also differ from the projected rates. In addition, mortality rates over the long term are uncertain because factors such as environmental conditions and the evolution of medical technology may have different effects in the future than they have had in the past. The mortality rate has declined more slowly in recent years than it did earlier. How long that slowdown will continue is unknown.

CBO's projections of net immigration are also uncertain—particularly for people in the category that CBO calls “other foreign nationals,” because information about that group is hard to obtain.¹¹ Moreover, changing conditions in other countries or changes in federal immigration policy, even without changes in law, could

11. The other-foreign-national category includes people who entered the United States illegally and have not obtained a permanent legal status, people who were allowed to enter the country lawfully through the use of parole authority and who may be awaiting proceedings in immigration court, and people who previously resided in the United States legally in a temporary status but who remained in the country after that legal status expired. See Congressional Budget Office, *The Demographic Outlook: 2024 to 2054* (January 2024), Appendix C, www.cbo.gov/publication/59697.

significantly alter the number of people who choose to immigrate to the United States.

If the number of working-age people was larger than CBO projects, the amount of revenues paid into the Social Security trust funds would exceed CBO's projections. And if demographic changes resulted in more Social Security beneficiaries than anticipated, outlays for the program would be greater than projected.

Economic Trends

CBO's assessment of the outlook for Social Security depends in part on the agency's projections of economic factors. Those factors are also uncertain, especially over a long projection period. The growth of GDP, for example, is a key driver of the Social Security system's finances. When economic growth is strong, the growth of earnings is also strong, resulting in more revenues paid into the trust funds and eventually more outlays for Social Security benefits. Inflation, which affects annual cost-of-living increases to benefits, is another source of uncertainty, as are interest rates.

Differences from the economic projections underlying CBO's long-term Social Security projections could have significant implications for other parts of the federal budget—because those economic projections are consistent with the ones the agency uses to prepare its baseline. For example, the projections of interest rates that underlie CBO's Social Security projections are consistent with those used to project federal debt. Higher projected interest rates would result in a smaller actuarial deficit for the Social Security program.¹² But when the federal budget is considered in its entirety, those higher interest rates would result in larger net outlays for interest, larger budget deficits, and more federal debt.

12. Higher interest rates result in a smaller actuarial deficit for Social Security because the years with larger shortfalls—those relatively far into the future—have a smaller effect on the actuarial deficit than they would if the interest rates used to discount future cash flows for present-value estimates were lower.

Xinzhe Cheng, Noah Meyerson, and Delaney Smith conducted the analysis for this testimony with guidance from Molly Dahl, Elizabeth Cove Delisle, Sam Papenfuss, and Julie Topoleski. Alia Abdelkader, Daniel Crown, Madeleine Fischer, and Charles Pineles-Mark also contributed to the analysis. Madeleine Fischer fact-checked the testimony.

In keeping with the Congressional Budget Office's mandate to provide objective, impartial analysis, this testimony makes no recommendations. Mark Doms, Jeffrey Kling, and Robert Sunshine reviewed the testimony, Christian Howlett edited it, and R. L. Rebach prepared it for publication. The testimony is available at www.cbo.gov/publication/60691.



**Written Testimony of Shai Akabas
Before the U.S. Senate Committee on the Budget Hearing:
Social Security Forever: Delivering Benefits and Protecting Retirement Security
September 11, 2024**

Good morning, Chairman Whitehouse, Ranking Member Grassley, and distinguished members of the committee. Thank you for inviting me to testify today on the efficacy and sustainability of Social Security—one of our nation's most important and popular programs. I commend the committee for elevating this issue now, and particularly for doing so in a bipartisan manner.

My name is Shai Akabas, and I am the executive director of the Economic Policy Program at the Bipartisan Policy Center. BPC is a mission-focused organization helping policymakers work across party lines to craft bipartisan solutions. By connecting Republicans and Democrats, delivering data and context, negotiating public policy, and creating space for bipartisan collaboration, BPC helps turn legislators' best ideas into durable laws that improve lives.

Social Security serves as the foundation upon which most Americans build and sustain their lives in retirement, lifting millions of households out of poverty and providing essential financial support. For generations, it has paid out benefits to people with disabilities, the elderly, and their family members.

Today, the program faces a critical, long-understood challenge that must be addressed with urgency. Unless Congress acts, Social Security's primary trust fund, the Old-Age and Survivors Insurance (OASI) trust fund, is heading for depletion within the next decade—2033 according to the latest report of the program's trustees. When that happens, every single American collecting OASI will see their benefits cut *immediately* by 21%.⁴ This presents a grave threat to the retirement security of millions of Americans who rely on Social Security benefits, as well as the millions more trying to plan for a dignified retirement.

Policymakers from across the ideological spectrum have known for decades that the program's finances are unsustainable, but they have consistently failed to act, leaving Social Security an estimated \$23 trillion short over the next 75 years—the cumulative sum of an annual gap between projected inflows and benefit payments that continues to grow.² Indeed, at this point, the math and politics of the situation nearly guarantee that some type of temporary borrowing for the program will be necessary as part of any solvency package to avoid trust fund depletion and an automatic cut in benefits.

Moreover, given the looming crisis, it is astonishing that discussion of Social Security is largely absent from the 2024 campaign. Even when the issue is raised, it is usually either in the context of proposals that would worsen the financial shortfall or pledges to change nothing. These pronouncements from both sides of the aisle that we must "protect" Social Security from any fiscal reforms obscure a hard truth: A vote for the status quo is a vote to cut benefits for every single beneficiary starting in less than ten years.

My goal today is to inject optimism into this committee, because at BPC, we know that Social Security's financing challenge can be overcome by:

⁴ Although the Trustees Report included some cause for optimism, projecting that the Disability Insurance trust fund can pay out benefits through at least 2098, the Disability Insurance (DI) program still faces significant operational and policy challenges that Congress could address in tandem with OASI reforms.



1. First, replacing partisan politics with prudent and pragmatic policy. Continuing to delay necessary adjustments in favor of political talking points will only serve to make the changes more difficult and cause added uncertainty—and eventual benefits cuts—for all Americans.
2. Second, ensuring that reforms be both nuanced and thoughtful by bringing together the best ideas from both parties. The problem cannot be productively addressed simply by cutting benefits or raising taxes on the rich. Sensible, bipartisan policy reforms lead to durable policy solutions.
3. Third, recognizing that it is possible to both enhance benefits for those who most rely on Social Security in retirement while modernizing the program and putting it on a fiscally sustainable path. Doing so simultaneously will be vital to garner support across the political spectrum and ensure Social Security continues to help retirees for decades to come.

Social Security's Financial Challenge

As of August 2024, 68 million Americans per month receive Social Security benefits.³ These benefits are a vital lifeline for many older Americans, making up at least 75% of income for over one-fifth of elderly Social Security beneficiary households.⁴ But shaky finances threaten that foundation of retirement security.

Even if Congress acted to combine the OASI trust fund with the solvent—but much smaller—Disability Insurance trust fund, combined trust fund depletion and the corresponding automatic benefit cuts would be delayed only to 2035. The growing gap between income coming into the program and benefits going out is significant. Specifically, avoiding automatic cuts would require immediately (in 2024) raising the payroll tax rate by 3.33 percentage points to 15.73%, reducing benefits for all current and future beneficiaries by nearly 21% (or nearly 25% for only beneficiaries who become eligible in 2024 or later), or adopting some combination of these approaches.⁵

If policymakers wait until the combined trust fund's depletion in 2035, much larger changes will be required—and the burdens will fall on narrower group of Americans. Specifically, lawmakers would have to raise the payroll tax by one-third (4.02 percentage points) to 16.42%, reduce benefits by one-quarter, or adopt some combination of these approaches. The alternative would be an unprecedented departure from the pay-as-you-go structure of the program by beginning to permanently draw from general government revenue. Not only would this sacrifice Social Security's special status and make the program compete for resources with other federal priorities, but it would further worsen America's already significant fiscal woes.⁶ In short, it would be irresponsible policymaking.

Before delving further into the problems at hand and describing possible solutions, I want to outline the two principles that must guide any reforms to the Social Security program:

1. **Urgent action is paramount.** The longer Congress waits to strengthen Social Security's finances, the more drastic the changes will have to be, and the more burden will fall upon regular Americans. Failing to enact reforms will simply kick the can down the road, pushing responsibility for a long-term solution onto future lawmakers, who will have to decide between inconceivable benefit cuts, impractical tax increases, or the abandonment of the program's historical financing mechanism—all bad options.
2. **That action must garner significant bipartisan support.** Working across the aisle is not only a best practice for enacting durable policies but also essential for changes to Social Security, which



require a supermajority in the Senate. Lawmakers should abstain from broad pronouncements like “no tax increases” and “no benefit cuts.” Such red lines only put obstacles in the way of action. Social Security’s financial challenge affects nearly all of American society, and the solutions will require a broad-based approach.

Social Security’s Demographic Challenge

Demographic trends in the United States work against Social Security’s finances. The ratio of covered workers paying into the system to the number of Americans drawing benefits has dropped from four-to-one in 1965 to just under three-to-one in 2021. The ratio is projected to drop to just over 2.5-to-one by 2030 as lengthening lifespans mean record numbers of Americans spend record lengths of time in retirement.⁷

At the same time, Social Security’s tax base is shrinking as a share of national earnings. Social Security’s payroll tax, which covered 90% of total earnings in 1983, is projected to cover just 82% this year, as income inequality continues to grow and more earnings fall above the taxable cap.⁸

Another issue is that because Social Security benefits are linked to earnings, as workers near retirement, they continue to pay taxes on earnings to support the program, yet often accrue little or no additional benefits as a result. This sends the wrong message. The program should be recalibrated to encourage work at older ages. Working longer allows more time to accumulate savings, shortens the period of retirement consumption that must be financed by those savings, and facilitates later claiming of Social Security benefits (which results in larger monthly payments). On top of these advantages for personal retirement security, a longer average working life yields additional payroll-tax revenue for the Social Security program and benefits the broader economy. Thus, better work incentives within Social Security would improve both retirement security and the financial condition of the program.

Because the program is designed as an earnings-based benefit, Social Security in isolation fails to adequately support individuals who have lower lifetime earnings. Although the progressive benefit formula ensures that lower-earning workers receive a higher return in benefits relative to their contributions than higher-wage earners, many retirees near the bottom of the economic ladder still struggle.⁹ This is especially the case if they had unstable employment, stopped working at a relatively early age, or both. Realistically, many of these retirees had insufficient earnings during their working years to accumulate any significant savings to supplement their Social Security benefits. Even among middle-income workers who enter retirement with outside assets, those who claim Social Security benefits early at a reduced level and live unexpectedly long lives may find their monthly income inadequate.

An added factor to consider is that not all Americans have seen longevity gains over the past several decades. Life expectancy at age 50 for the lowest-income quintile has actually decreased, even while high-income individuals experienced large increases. This dynamic has a significant effect on the distribution of benefits within the system.⁹

Spousal and survivors benefits are other aspects of the Social Security program that seem outdated or ineffective at ensuring income adequacy. Spousal benefits, for example, reflect early-20th century assumptions about family structure. In 1950, just one-third of women over the age of 16 participated in the workforce (compared to more than 86% of men), making Social Security benefits a necessary source of

⁹ Throughout this testimony, the term “progressive” is used only in this way, describing a technical feature of the Social Security benefit structure.



support for spouses throughout much of the income distribution. Today, in contrast, workforce participation of women has skyrocketed to 58% while the rate has dropped to 68% for men.¹⁰ Yet, even as women have far more opportunities for employment today, the benefit structure for non-working spouses remains the same, providing unnecessary support to the spouses of high-income individuals, who can in some cases receive greater monthly benefits than a full-career, low-income worker.

Survivors benefits—where a surviving spouse is provided the larger of the couple's two earned benefits—were also designed for a workforce in which one-earner couples were predominant. As a result, many widows and widowers now struggle to support themselves after the death of a spouse, when household Social Security benefits can fall by as much as half, but household costs rarely decline commensurately.¹¹ Thus, survivors benefits often do not provide adequate income to maintain a widow's or widower's standard of living, and the sudden loss of income can even push some below the poverty level.

For most Americans, Social Security benefits provide the critical foundation on which to plan and realize a secure retirement. Yet, those who rely on the program do not know what changes to expect in the context of its troubled financial future.

Pragmatic Policy and Political Courage Can Meet Social Security's Challenges

In 2016, BPC convened a bipartisan Commission on Retirement Security and Personal Savings, co-chaired by former Senator Kent Conrad and Jim Lockhart, former principal deputy commissioner of the Social Security Administration. The commission spent two years studying the state of retirement security in the U.S. and made recommendations in six key areas, including Social Security.¹² These recommendations combined sensible revenue and benefits adjustments that, at the time of the commission's conclusion, would make Social Security solvent for more than 75 years while avoiding steep benefits cuts. Such recommendations included:

1. Increasing the progressivity of the benefit formula to more better target support across the income distribution¹³
2. Applying the benefit formula annually to earnings to more evenly reward continued work¹⁴
3. Establishing a basic minimum benefit to enhance Social Security for beneficiaries with low incomes
4. Indexing the retirement age to longevity to reflect ongoing increases in average life expectancy¹⁵
5. Raising the maximum taxable earnings level¹⁶
6. Increasing the payroll tax rate by 1 percentage point¹⁷
7. Increasing taxes on benefits for high-income beneficiaries
8. Leveraging a more-accurate measure of inflation for Social Security's cost-of-living adjustments and for indexing parameters within the tax code¹⁸
9. Capping and re-indexing the spousal benefit
10. Enhancing survivors benefits to help widows and widowers maintain their standard of living
11. Replacing the windfall elimination provision (WEP) with a pro-rated benefit for workers with non-covered earnings¹⁹
12. Reinstating benefits for college-aged children of deceased beneficiaries and certain other beneficiaries
13. Improving the Disability Insurance program

Beyond making Social Security financially sound, enacting these recommendations would dramatically reduce poverty among retirees by making Social Security's benefit distribution more progressive and by



enhancing benefits for widows and widowers. Over a lifetime, the average household in the bottom two quintiles of earners would receive higher benefits than scheduled levels under these proposed reforms, and middle earners would receive benefits roughly at scheduled levels. Nearly all the benefit savings would come from beneficiaries in the top two quintiles of the lifetime earnings distribution.²⁰

The commission recommended this balanced approach eight years ago, however, and Social Security's challenges have since grown while the time to address them has shrunk. To restore long-term solvency now, policymakers will have to phase in larger changes at a faster pace—or more realistically, turn to some type of temporary borrowing for part of the solution.

Improving Claiming Behavior and Access to Information

Any discussion of modernizing Social Security would be incomplete without considering the importance of when and how Americans decide to claim benefits, and the responsibility of policymakers to help them choose wisely. Although Americans may claim benefits as early as age 62, waiting to claim permanently increases one's monthly benefit, with the maximum available to those who claim at age 70. Delaying claiming is thus equivalent to purchasing a greater inflation-adjusted annuity that will be paid for as long as the beneficiary lives (as well as a surviving spouse, subject to the rules described above). Most people, however, do not claim Social Security at their optimal age, usually because they claim too early.²¹ By one estimate, sub-optimal claiming decisions will cost current retirees \$3.4 trillion in retirement income.²²

Unlike the contentious debates over solvency, this is an example of how public policy could enhance retirement security simply by providing better information at better times. Bipartisan legislation introduced last year would do exactly that by improving the vague language SSA currently uses to describe different claiming ages. The bill, called the Claiming Age Clarity Act, would change the way SSA refers to ages 62, 67, and 70 to the "minimum monthly benefit age," "standard monthly benefit age," and "maximum monthly benefit age," respectively, providing needed clarity to Americans about the implications of their decision of when to claim benefits. Another way that lawmakers could help would be by creating a safe harbor for workplace retirement plan sponsors that responsibly provide information to assist participants in making informed decisions about when to claim Social Security benefits or about using their private retirement savings to bridge to a later claiming age. Congress could also instruct SSA to send out the paper benefit statement more frequently or revisit the efficacy of the Retirement Earnings Test, which is poorly labeled and often misunderstood in a way that discourages work.²³

Reforming the Windfall Elimination Provision

Few, if any, aspects of Social Security are as misunderstood as the Windfall Elimination Provision (WEP). Congress enacted the WEP as part of a 1983 reform package to prevent inequitably generous benefits from going to workers who spent part or all of their career in non-covered employment (and were therefore exempt from Social Security payroll taxes).²⁴ It currently affects approximately 2 million beneficiaries.²⁵ Because of data limitations at the time the WEP was enacted, these benefit adjustments are often not perfect, but the provision attempts to ensure that Social Security treats similarly situated workers in a similar manner.

Today, however, SSA has access to the earnings data necessary to more accurately calculate these benefit adjustments, and thus BPC has recommended replacing the WEP with a proportional benefit formula, which would prorate benefits based on the fraction of one's total lifetime earnings covered by Social Security. Under this proposal, to determine the monthly benefit of someone with substantial non-covered



earnings, SSA would first calculate their primary insurance amount (PIA) as though their entire career was in covered employment (i.e., it would combine earnings from covered and non-covered employment and calculate a PIA based on that combined total). Then, SSA would multiply that PIA by the fraction of total earnings that came from covered employment to generate the final, proportional PIA. In practice, the proportional benefit method ensures that if two beneficiaries have the same total lifetime earnings, but one has substantial non-covered earnings and the other does not, those two beneficiaries receive Social Security benefits that replace the same proportion of their *covered* earnings. In other words, the proportional benefit formula treats like earners alike, regardless of where those earnings came from.

Absent such a reform, policymakers should refrain from fully repealing the WEP, which would advantage higher-income households to the tune of billions of dollars, enabling them to benefit disproportionately, at taxpayer expense, from Social Security and their state or local government pension.²⁶ It would also substantially add to the looming financial shortfall facing the program, siphoning an additional \$100 billion out of the trust fund over the next 10 years.²⁷ Instead, reforms like the proportional benefit formula would ensure that Social Security benefits accurately reflect both covered and non-covered earnings over a worker's lifetime, addressing the shortcomings of the current WEP structure without undermining the program's core mission.

Protecting Comprehensive Retirement Security in America

Although Social Security plays an integral role in Americans' retirement security, it is only part of the picture: Private savings and workplace retirement plans form the other legs of the traditional "three-legged stool" of retirement security. Americans are rightly anxious about retirement because the three-legged stool is no longer stable. Beyond Social Security's unsustainable finances and outdated structure, too many Americans lack access to workplace retirement savings plans, do not have enough personal savings for short-term needs, risk outliving their retirement savings, fail to build and use home equity to support retirement security, and lack basic knowledge about personal finance.²⁸

BPC's Commission put forward a comprehensive package of bipartisan proposals to address these key private-sector challenges facing American households—proposals that complement one another and create a policy solution far more effective than a piecemeal approach. In particular, federal policy that helps to ensure nearly all working Americans have access to a well-designed workplace retirement savings plan can dramatically increase the funds that households are able to accumulate with the support of their employer. Modeling conducted for BPC's Commission showed that these additional savings can more than offset necessary Social Security benefit adjustments for Americans in the upper half of the lifetime earnings distribution.²⁹ This type of integrated solution can ensure that conversations about Social Security solvency do not just entail painful decisions about curtailing benefits and raising taxes, but rather improved retirement security for all Americans.

A Call for Bipartisan Cooperation and Action

Policymakers have known for decades that Social Security's financial and demographic challenges are unsustainable. Although these challenges may appear insurmountable, let me reiterate: they are not. Pragmatic solutions exist, and better yet, there is still time to act. Restoring retirement security in America through durable reform, however, will require cooperation from both sides of the aisle. The country's leaders cannot continue to promise the status quo.



In 1983, the OASI trust fund was just months away from depletion. With automatic benefit cuts looming, Democrats and Republicans came together around comprehensive legislation that averted insolvency and extended the life of the trust fund by several decades.³⁰ Policymakers can look back to this recipe for success, but unfortunately, the magnitude of today's shortfall is much larger, necessitating more significant changes.³¹

The broader context is also very different. Back then, the ratio of U.S. debt held by the public to gross domestic product (GDP) was 32%, whereas today that figure is nearing 100% and projected to head much higher.³² Although the federal budget should not be fixed on the back of Social Security, the federal budget *cannot* be fixed without addressing Social Security. It is past time for elected leaders and those seeking office to prioritize fiscal responsibility. That is why BPC has worked for over a decade to bring members of Congress from both sides of the aisle together around policies to reduce the deficit, and why we have consistently called for a new bipartisan fiscal commission as a step toward strengthening retirement security and helping to rebuild Americans' fundamental trust in their government.³³

On behalf of the Bipartisan Policy Center, I want to thank the committee for convening today's important hearing. BPC stands ready and willing to assist this committee and the broader Congress as you develop and advance bipartisan, fiscally sound solutions on behalf of both current retirees and the millions of hardworking American people currently paying into the Social Security system yet doubting it will be there to support them in retirement. Together we can solve this challenge.

¹ Social Security Administration, *The 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, May 6, 2024. Available at: <https://www.ssa.gov/oact/TR/2024/index.html>.

² Emerson Sprick, *Social Security: On Autopilot and Heading Toward a Cliff*, May 6, 2024. Available at: <https://bipartisanpolicy.org/blog/social-security-autopilot-heading-toward-cliff>.

³ SSA, "Monthly Statistical Snapshot, August 2024," accessed September 2024. Available at: https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2024-08.html.

⁴ Irena Dushi and Brad Trenkamp, *Improving the Measurement of Retirement Income of the Aged Population*, Table 5, ORES Working Paper No. 116, January 2021. Available at: <https://www.ssa.gov/policy/docs/workingpapers/wp116.html>.

⁵ SSA, *Trustees Report*, 5.

⁶ Bipartisan Policy Center, "Deficit Tracker," updated August 14, 2024. Available at: <https://bipartisanpolicy.org/report/deficit-tracker/>.

⁷ Emerson Sprick, *Social Security: On Autopilot and Heading Toward a Cliff*, May 6, 2024. Available at: <https://bipartisanpolicy.org/blog/social-security-autopilot-heading-toward-cliff>.

⁸ SSA, *Trustees Report*, 149.

⁹ Barry P. Bosworth and Kathleen Burke, *Differential Mortality and Retirement Benefits in The Health and Retirement Study*, The Brookings Institution, April 8, 2014. Available at: <https://www.brookings.edu/articles/differential-mortality-and-retirement-benefits-in-the-health-and-retirement-study/>. Committee on the Long-Run Macroeconomic Effects of the Aging U.S. Population-Phase II, *The Growing Gap in Life Expectancy by Income: Implications for Federal Programs and Policy Responses*, National Academies of Sciences, Engineering, and Medicine, 2015, 3. Available at: <http://www.nap.edu/catalog/19015/the-growing-gap-in-life-expectancy-by-income-implications-for>. Congressional Research Service, *The Growing Gap in Life Expectancy by Income: Implications for Federal Programs and Policy Responses*, April 17, 2017. Available at: <https://crsreports.congress.gov/product/pdf/R/R44846>.

¹⁰ U.S. Bureau of Labor Statistics, Labor Force Participation Rate - Women [LNS1300002], retrieved September 9, 2024, from FRED, Federal Reserve Bank of St. Louis. Available at: <https://fred.stlouisfed.org/series/LNS1300002>.



U.S. Bureau of Labor Statistics, Labor Force Participation Rate - Men [LNS11300001], retrieved September 9, 2024, from FRED, Federal Reserve Bank of St. Louis. Available at: <https://fred.stlouisfed.org/series/LNS11300001>.

¹¹ Martin Browning, Pierre-André Chiappori, and Arthur Lewbel, *Estimating Consumption Economies of Scale, Adult Equivalence Scales, and Household Bargaining Power*, August 2013, 33. Available at: <https://academic.oup.com/restud/article-abstract/80/4/1267/1584142>.

¹² Commission on Retirement Security and Personal Savings (CRSPS), *Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings*, June 2016, 80. Available at: <https://bipartisanpolicy.org/report/retirement-security/>.

¹³ BPC, "The Social Security Benefit Formula," March 28, 2023. Available at: <https://bipartisanpolicy.org/explainer/social-security-benefit-formula/>.

¹⁴ BPC, "Annual PIAs," December 13, 2022. Available at: <https://bipartisanpolicy.org/explainer/annual-pias/>.

¹⁵ BPC, "The Full Retirement Age," March 29, 2023. Available at: <https://bipartisanpolicy.org/explainer/full-retirement-age/>.

¹⁶ BPC, "The Social Security Tax Rate and Taxable Maximum," updated July 2024. Available at: <https://bipartisanpolicy.org/explainer/tax-max/>.

¹⁷ Ibid.

¹⁸ BPC, "Social Security Cost-of-Living Adjustments," July 15, 2024. Available at: <https://bipartisanpolicy.org/explainer/cost-of-living-adjustment/>.

¹⁹ Emerson Sprick, *The Windfall Elimination Provision and Government Pension Offset*, July 19, 2024. Available at: <https://bipartisanpolicy.org/report/wep-gpo/>.

²⁰ CRSPS, 84.

²¹ Jason J. Fichtner, Gary Koenig, Shai Akabas, and Nicko Gladstone, *How to Help Americans Claim Social Security at the Right Age*, August 2020, 4. Available at: <https://bipartisanpolicy.org/report/how-to-help-americans-claim-social-security-at-the-right-age/>.

²² Matt Fellowes, Jason J. Fichtner, Lincoln Plews, and Kevin Whitman, *The Retirement Solution Hiding in Plain Sight: How Much Retirees Would Gain by Improving Social Security Decisions*, June 2019. Available at: <https://maringroup.com/wp-content/uploads/2019/06/Retirement-Solution-Hiding-in-Plain-Sight.pdf>.

²³ For more detail, see CRSPS, 76-77.

²⁴ Emerson Sprick, *The Windfall Elimination Provision and Government Pension Offset*, July 19, 2024. Available at: <https://bipartisanpolicy.org/report/wep-gpo/>.

²⁵ SSA, "Windfall Elimination Provision," May 2024. Available at: <https://www.ssa.gov/policy/docs/program-explainers/windfall-elimination-provision.html>.

²⁶ Jason J. Fichtner, G. William Hoagland, Michele Stockwell, et al. to Hon. Charles Schumer, Hon. Mitch McConnell, Hon. Kevin McCarthy, and Hon. Hakeem Jeffries, August 23, 2023. Available at: <https://bpaction.org/wp-content/uploads/WEP-GPO-Social-Security-Fairness-Act-open-letter.pdf>.

²⁷ Congressional Budget Office, "H.R. 82. Social Security Fairness Act of 2023," September 9, 2024. Available at: <https://www.cbo.gov/publication/60690>.

²⁸ CRSPS, 7.

²⁹ CRSPS, 103-104.

³⁰ John A. Svahn and Mary ROS, "Social Security Amendments of 1983: Legislative History and Summary of Provisions," *Social Security Bulletin* 46(7), 1983. Available at: <https://www.ssa.gov/policy/docs/ssb/v46n7/v46n7p3.pdf>.

³¹ Louise Sheiner and Georgia Nabors, "Social Security: Today's financing challenge is at least double what it was in 1983," *Brookings Institution*, September 18, 2023. Available at: <https://www.brookings.edu/articles/social-security-todays-financing-challenge-is-at-least-double-what-it-was-in-1983/>.

³² Congressional Budget office, "Budget and Economic Data." Available at: <https://www.cbo.gov/data/budget-economic-data>.

³³ BPC Action, "BPC Action: Now is the Time for a Bipartisan Fiscal Commission," January 18, 2024. Available at: <https://bpaction.org/bpc-action-now-is-the-time-for-a-bipartisan-fiscal-commission/>.

The United States Senate
Committee on the Budget
Hearing on “Social Security Forever: Delivering Benefits
and Protecting Retirement Security”
September 11, 2024

Questions for the Record for
The Honorable Martin O’Malley, Commissioner of Social Security

Ranking Member Charles E. Grassley

Question #1: Policies in the Biden-Harris budget, according to their own projections, would reduce Social Security payroll tax revenues by \$17 billion compared to baseline projections¹. As a result, their budget would worsen the programs finances. Which policies in the Biden-Harris budget are responsible for this reduction in Social Security revenues?

Some of the Budget’s revenue proposals have effects on wage and salary income, which result in small changes to payroll taxes. However, these effects are minimal relative to total Social Security payroll tax collections, which are \$15.7 trillion over the 10-year budget window.

Question #2: The Biden-Harris budget includes a proposal that would saddle the Social Security Administration with administering a new national paid leave program. While specific details on this plan are lacking, the \$325 billion price tag indicates this will be a complex program to administer. And it comes at a time when the SSA is already dealing with what you yourself admit is a “customer service crisis.” Is SSA capable of taking on the responsibility of administering a new \$325 billion program amidst the agency’s current customer service crisis?

The paid family and medical leave proposal in the President’s Budget includes robust administrative funding for the Social Security Administration (SSA) to establish and run this historic national, comprehensive paid family and medical leave program, which would improve the lives of the vast majority of America’s workers who lack access to employer-provided paid family leave. Housing the stand-alone program in SSA leverages our ability to administer a nationwide benefits program, and investments in the new program can create efficiencies in our current work.

Question #3: Through administrative action, the Biden-Harris administration has increased mandatory spending by over a trillion dollars according to some estimates. This includes tens of billions of dollars in new spending for programs administered by SSA, such as Disability Insurance and SSI. This level of spending by executive fiat is beyond reckless, especially during a time of near record debt and deficits. Does the SSA intend to comply with the administrative PAYGO requirements in last year’s Fiscal Responsibility Act requiring the cost of new regulatory actions to be offset?

Yes, we will continue to comply with the requirements of the Fiscal Responsibility Act.

¹ Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2025*, Pg. 140-141 (March 11, 2024), <https://www.govinfo.gov/content/pkg/BUDGET-2025-BUD/pdf/BUDGET-2025-BUD.pdf>

Senator John Kennedy**Question #1: Ending Improper Payments to Deceased People Act**

In 2020, my Stopping Improper Payments to Deceased People Act became law. The bill mandates the sharing of the Social Security Administration’s Death Master File—a record of deceased individuals—with the Department of the Treasury’s Do Not Pay working system within three years after enactment. The three-year exchange runs from December 27, 2023 to December 27, 2026.

I introduced the Ending Improper Payments to Deceased People Act, which would require the Social Security Administration to share the Death Master File with Do Not Pay on a permanent basis.

Given Fiscal Service’s positive report regarding the success from its access to the full Death Master File, we need to make this data exchange permanent.

Fiscal Service’s Office of Payment Integrity (OPI) is pleased to share that it is expecting a highly positive return on investment from its access to the Full Death Master File in its Do Not Pay (DNP) Working System. Its positive return on investment comes as a result of increased identification, prevention, and recovery of improper payments through new and expanded customer partnerships and improved death data quality. As of Monday, September 9th, OPI stated that it intends to have an official update on its assessment within the thirty (30) days.

It’s my understanding the Social Security Administration and the Bureau of Fiscal Service at the Treasury Department need to negotiate pricing for access to the Death Master File.

- ***What has the Social Security Administration done to provide Fiscal Service specific examples of agencies not paying enough and/or the price point of Treasury’s access to the Death Master File?***

We are negotiating with the Treasury Department’s Bureau of Fiscal Service (BFS) on pricing for the next annual reimbursable agreement for sharing death data—including the death data we receive from States—with the Do Not Pay working system. We will comply with the provisions of the *Consolidated Appropriations Act, 2021*, including the requirement for agencies receiving the State data to pay their “proportional share” of the costs SSA incurs for the data.

Will you have your staff keep my office updated about the progress of your negotiations with Treasury? We need to pass my legislation to permanently end improper payments to deceased individuals.

Yes.

Question for the Record

from Chairman Sheldon Whitehouse

To: Rebecca Vallas

“Social Security Forever: Delivering Benefits and Protecting Retirement Security”

September 11, 2024

Senate Budget Committee

Question #1:

At the hearing, we heard a claim that life expectancy has grown dramatically since 1935, to attempt to justify raising the retirement age now. However, many of those gains were due to the drop in infant mortality, having nothing to do with longer lives among people who made it to adulthood. How much has life expectancy risen for working-age adults? Have these gains been distributed equally among the population? How do life expectancies differ among different demographic groups and along the income distribution?

Answer:

Thank you for the question, Mr. Chairman. Since 1935, average life expectancy in the United States has seen significant gains, driven by a range of factors including medical advancements, improved living conditions, and public health interventions. However, it is a much more complex picture than was presented by some at the hearing.

In 1935, the average life expectancy at birth in the U.S. was around 61 years. By 1970, that figure had risen to 70.8 years, and by 2010, it reached a peak of 78.7 years. Critically, much of this improvement compared with 1935 can be attributed to reductions in infant mortality, which skew average figures. For that reason, it is important to look at the picture for working-age adults. Also worth noting, while life expectancy has generally risen for the population as a whole, these gains have not been distributed equally and have varied considerably depending on factors such as income, education, race, and geography.

Between 1935 and 1970, life expectancy for working-age adults increased steadily due to factors such as those mentioned above. Higher-income individuals and people with more education have experienced the most significant life expectancy gains. However, since approximately 2010, the life expectancy of working-age adults has stagnated or actually declined for some groups—including lower-income workers, workers of color, those in rural areas, and with lower levels of education. Lower-income and communities of color, contributing to widening disparities in life expectancy.

Recent estimates point to disparities of about 10-15 years in overall life expectancy between the highest and lowest income groups in the U.S. For instance, a prominent study led by Raj Chetty and colleagues¹ found that for men in the bottom 1% of the income distribution, life expectancy was around 72.7 years, while for those in the top 1%, it was about 87.3 years—a gap of over 14 years.

Life expectancy also differs markedly among racial and ethnic groups. Historically, White Americans and Asian Americans have enjoyed higher life expectancies than Black and Native American populations. For example, in 2020, the life expectancy for Black Americans was still about four years shorter than for White Americans,² driven by factors such as disparities in healthcare access, socioeconomic status, and greater exposure to chronic disease and violence.

These growing divides have largely been driven by factors such as disparities in healthcare access, living conditions, and access to preventive measures, which all vary widely based on income and education. Other drivers of note include rising deaths from opioid overdoses, suicide, and chronic diseases like heart disease and diabetes, and in recent years, the COVID-19 pandemic—public health crises that have disproportionately impacted lower-income groups and communities of color.

In sum, while the overall trend since 1935 is an increase in average life expectancy in the U.S., significant disparities persist, particularly among working-age adults—and these disparities are important to consider. As I noted at the hearing, average figures can be misleading and should not be utilized to inform important policy decisions such as whether or not to further raise Social Security's retirement age.

¹ Chetty, R., Stepner, M., Abraham, S., et al. "The Association Between Income and Life Expectancy in the United States, 2001-2014." *JAMA*, 2016.

² Arias, E., Tejada-Vera, B., Ahmad, F., & Kochanek, K. "Provisional Life Expectancy Estimates for 2020." *National Center for Health Statistics (NCHS) Data Brief*, No. 427, 2021.

Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress



**ANSWERS TO QUESTIONS
FOR THE RECORD**

Following a Hearing on
Social Security's Finances

Conducted by the
Committee on the Budget
United States Senate

September 26 | 2024

On September 11, 2024, the Senate Committee on the Budget convened a hearing at which Molly Dahl, Chief of Long-Term Analysis at the Congressional Budget Office, testified about the finances of the Social Security program.¹ After the hearing, Chairman Sheldon Whitehouse and Ranking Member Chuck Grassley submitted questions for the record. This document provides CBO's answers. It is available at www.cbo.gov/publication/60733.

Chairman Whitehouse's Question About Ways to Improve Social Security's Finances

Question. Dr. Dahl, in your oral remarks, you said that "scheduled benefits could be paid through 2098 if payroll tax rates were increased from 12.4% to 16.7%, a relative rise of 35%, CBO projects. Alternatively, a reduction in scheduled benefits of 24% would permit full payment of those smaller benefits through 2098."

Dr. Dahl, aren't those just two examples of how solvency could be extended? Could revenue also be raised by expanding the payroll tax base, such as by lifting the FICA taxable maximum, in order to extend the solvency of the trust fund?

Answer. Yes, those are two examples of how Social Security's finances could be improved. Reductions in outlays, increases in revenues, or a combination of such changes would strengthen Social Security's finances, as would transfers from the Treasury's general fund.²

Outlays could be reduced by raising the age at which workers become eligible for full retirement benefits, by using an alternative measure of inflation to adjust benefits for changes in the cost of living, by reducing

benefits for people with high earnings, or by changing benefits in other ways.³

Revenues could be increased by applying the Social Security payroll tax to earnings greater than the maximum amount subject to that tax under current law (\$168,600 in 2024), by raising the payroll tax rate, by increasing income taxes on benefits, by adding other sources of revenues, or by making some combination of such changes.

Ranking Member Grassley's Questions About the Gap Between Social Security's Outlays and Revenues and the Program's Effects on Federal Debt

Question. When the Budget Committee wants to know how much a bill costs or saves, it's supposed to ask the Congressional Budget Office. Has CBO analyzed the effect of S. 1174 on Social Security's finances?

Answer. CBO has not evaluated the effects of the Medicare and Social Security Fair Share Act (S. 1174) on the federal budget or the Social Security trust funds.

Question. Has CBO analyzed any legislative proposal that would extend the solvency of Social Security through the 75-year window just by increasing taxes on the so-called wealthy?

Answer. CBO has not analyzed a legislative proposal that would extend the solvency of Social Security through the 75-year projection period solely by increasing taxes on people with high earnings or large amounts of assets.

Question. What is the single biggest reason that the annual gap between Social Security's outlays and its dedicated tax revenues has grown since 1984?

Answer. From 1984 to 2009, revenues dedicated to the Social Security program exceeded spending for the program each year. Since 2010, the program has run an annual deficit, with spending exceeding dedicated revenues.

1. Testimony of Molly Dahl, Chief of Long-Term Analysis, Congressional Budget Office, before the Senate Committee on the Budget, *Social Security's Finances* (September 11, 2024), www.cbo.gov/publication/60691.

2. For analyses of various options to reduce spending or increase revenues for the Social Security program, see Congressional Budget Office, *Options for Reducing the Deficit, 2023 to 2032—Volume I: Larger Reductions* (December 2022), www.cbo.gov/publication/58164, and *Options for Reducing the Deficit, 2023 to 2032—Volume II: Smaller Reductions* (December 2022), www.cbo.gov/publication/58163.

3. For an analysis of the effects of increasing the age at which workers become eligible for full retirement benefits, see Congressional Budget Office, letter to the Honorable Brendan Boyle about raising the full retirement age for Social Security (September 25, 2024), www.cbo.gov/publication/60516.

Demographic changes—especially an increase in the number of people age 65 or older relative to the number of people ages 20 to 64—are the largest driver of the increase in Social Security's outlays relative to the size of the economy since 1984. In particular, the oldest members of the baby boom generation were first eligible to claim Social Security benefits in 2008. The retirement of many members of that generation led to a rapid increase in the number of beneficiaries and thus in spending.

Social Security's revenues have been roughly stable relative to the size of the economy. That stability is the net result of offsetting factors. Increases in the Social Security payroll tax rate (from 11.4 percent in 1984 to the current level of 12.4 percent in 1990) and growth in revenues from income taxes on benefits pushed revenues up from what they otherwise would have been. Conversely, economic factors, such as increases in the share of compensation that is not subject to the payroll tax, pushed revenues down from what they otherwise would have been.

On net, Social Security's annual outlays have increased more rapidly than its annual revenues since 1984.

Question. During the hearing, Commissioner O'Malley claimed that "Social Security does not contribute to the debt." How does Social Security affect the federal budget and federal debt?

Answer. Most public discussion and reports about the federal budget focus on the unified budget, which encompasses all activities of the federal government, including those related to Social Security. CBO estimates that in fiscal year 2024, outlays for Social Security will exceed the program's tax revenues by \$140 billion, increasing the budget deficit by that amount.⁴ Annual shortfalls for the Social Security program are projected to grow thereafter under current law, contributing to the projected growth of deficits.⁵

4. Social Security's payroll tax revenues include amounts that the federal government pays as an employer. That intragovernmental payment is estimated to total \$23 billion in 2024.

5. For CBO's most recent 10-year projections for the Social Security trust funds, see Congressional Budget Office, "10-Year Trust Fund Projections" (supplemental material for *An Update to the Budget and Economic Outlook: 2024 to 2034*, June 2024), www.cbo.gov/data/budget-economic-data#5.

Social Security's revenues are credited to the program's two trust funds—one for Old-Age and Survivors Insurance (OASI) and one for Disability Insurance (DI). In addition to tax revenues, the trust funds receive interest payments on the Treasury securities they hold. Those interest payments are intragovernmental: They are recorded in the budget as outlays from the general fund of the Treasury and as income to the trust funds and have no net effect on the deficit.

Social Security has different effects on different measures of federal debt. Debt held by the public, which consists mainly of Treasury securities sold to investors, indicates the extent to which federal borrowing affects the availability of private funds for other borrowers. As such, it is the measure of debt that matters for CBO's projections of economic growth and the measure that CBO uses in its budget reports. Debt held by the public does not include the balances of the OASI and DI trust funds.

Two other measures of federal debt are gross federal debt (the sum of debt held by the public and debt held by government accounts) and debt subject to limit (that is, debt subject to the statutory ceiling that applies to gross federal debt, with some small exceptions). Both of those measures include the balances of the OASI and DI trust funds. At the end of August 2024, the two trust funds held a total of \$2.8 trillion in Government Account Series (GAS) securities issued by the Treasury. (GAS securities are special-issue securities that cannot be sold to investors.)

The trust funds serve as accounting mechanisms to link Social Security's income with corresponding expenditures. When a trust fund receives income that is not immediately needed to pay benefits or cover other expenses, the Treasury issues GAS securities totaling that amount to the trust fund and then uses the extra cash to finance the government's activities, just as it uses other revenues. As a result, the government borrows less from the public than it would without that extra net income (given a fixed amount of revenues and outlays).

When a trust fund's income falls short of its outlays, the reverse happens: The fund returns GAS securities to the Treasury, which then must borrow from the public to acquire the resources needed to make payments to Social Security beneficiaries. Thus, the current and projected shortfalls for the Social Security trust funds lead to larger

deficits, more borrowing by the Treasury, and an increase in debt held by the public—the measure of federal debt underpinning CBO’s projections of economic growth.

The balance of a trust fund is a measure of the historical relationship between a program’s income and outlays. That balance (in the form of GAS securities) is an asset for the individual program but a liability for the rest of the government. Trust funds have legal meaning—in that their balances are a measure of the amounts the government has the legal authority to spend for certain purposes under current law—but they have little relevance in an economic or budgetary sense unless the balance of a trust fund falls to zero. (CBO projects that under current law, the balance of the OASI trust fund would be

exhausted in fiscal year 2033 and the balance of the DI trust fund would be exhausted in calendar year 2064.)⁶

For certain budget enforcement purposes, budget accounts are divided into two categories: on-budget and off-budget. By law, most programs’ budget authority, outlays, and revenues are on-budget—that is, included in budget totals. On-budget activities are subject to the normal budget process and to budget enforcement procedures. Social Security is classified as off-budget (as is the Postal Service). Most activities for off-budget programs are not subject to spending caps or other budget enforcement procedures under the Statutory Pay-As-You-Go Act of 2010. In addition, off-budget programs are generally excluded from Congressional budget plans, such as budget resolutions.

6. Congressional Budget Office, *CBO’s 2024 Long-Term Projections for Social Security* (August 2024), www.cbo.gov/publication/60392.



Charles E. Grassley
United States Senator

Questions for the Record
from Senator Charles E. Grassley
for Mr. Shai Akabas
“Social Security Forever: Delivering Benefits and Protecting Retirement Security”
September 11, 2024
Senate Budget Committee

Question #1:

In your testimony you referenced a bipartisan commission, co-chaired by former Democrat Budget Committee Chairman Kent Conrad, which made a variety of recommendations for Social Security. These recommendations included both benefit and revenue adjustments. In contrast, many of today’s proposals by congressional Democrats rely solely upon increasing taxes. Why did this commission settle on a combination of remedies rather than solely focusing on revenues?

The magnitude and urgency of Social Security’s financial challenges call for a comprehensive approach. In part, this comes down to basic math: shoring up the Old-Age and Survivors Insurance (OASI) Trust Fund throughout the 75-year projection period with revenues alone would require much larger tax increases than if thoughtfully targeted benefit adjustments are also part of the solution.

Moreover, leveraging both revenue enhancements and benefit adjustments spreads the impact of reform across generations and throughout an individual’s lifetime. Increasing the payroll taxes that make up 91% of Social Security’s income would mostly affect younger workers, who have a career of earnings ahead of them; gradually adjusting benefits, in contrast, will impact all but the oldest generations. By combining revenue and benefit adjustments, the magnitude of any individual change would be lower, and both beneficiaries and workers would shoulder some of the impact, ensuring that the new policies would be spread throughout a person’s career and retirement.

Finally, a reform proposal that changes only taxes or benefits is unlikely to receive the bipartisan support that is vital to ensure congressional action on this important and contentious issue. The only chance for success is if members of Congress must put all options on the table, engage with each other in good faith, and put forward a comprehensive reform package.

Question #2:

Your testimony also refers to the 1983 Ronald Reagan-Tip O’Neil Social Security reform. This cooperation between a Republican President and Democrat Speaker of the House was essential

to saving the program then, and is much needed today. What lessons can we learn from the 1983 reform?

In 1983, the Old-Age, Survivors, and Disability Insurance (OASDI) trust funds were on the verge of depletion, and with automatic benefit cuts imminent, Democrats and Republicans collaborated to pass comprehensive reforms that extended the program's solvency for decades. This historical example illustrates that bipartisan cooperation, driven by strong leadership and mutual trust, can lead to substantial collaborative outcomes.

Policymakers can look back to this recipe for success, but unfortunately, the magnitude of today's shortfall is much larger, necessitating more significant changes.¹ In 1983, the ratio of U.S. debt held by the public to gross domestic product was 32%, whereas today it has nearly tripled to around 100% with projections indicating a continued rise.² Although the federal budget should not be balanced solely on the back of Social Security, meaningful fiscal responsibility cannot be achieved without addressing it.

It is past time for elected leaders and candidates to prioritize fiscal responsibility. That is why BPC has worked for over a decade to bring members of Congress from both sides of the aisle together around policies to reduce the deficit, and why we have consistently called for a new bipartisan fiscal commission as a step toward strengthening retirement security and helping to rebuild Americans' fundamental trust in their government.³

Question #3:

My colleagues on the other side of the aisle believe that Social Security can be rescued from insolvency through massive partisan tax hikes they say would be imposed on a small number of taxpayers. The other side argues that the "Medicare and Social Security Fair Share Act" would fund Medicare and Social Security permanently, even though the legislation has not been scored by the Congressional Budget Office or the Joint Committee on Taxation. This legislation would apply the full 12.4% Social Security payroll tax to all wages above \$400,000 and apply an additional tax of 1.2% of wages above \$400,000 for Medicare. Additionally, investment and passthrough income above \$400,000 would be subject to a separate 17.4% tax partially dedicated to the Social Security and Medicare trust funds.

Relying on taxes solely hitting "the rich" is a pipe dream, and Social Security Chief Actuary Stephen Goss verified this when asked about modelling of the "Medicare and Social Security Fair Share Act." When asked whether it was accurate that the "Medicare and Social Security Fair Share Act" would raise taxes on only 2% of Americans, Mr. Goss acknowledged that within the 75-year projection period "we expect that the percent of the US population with net investment income subject to this tax would rise to 20 to 25 percent of the US population..."

¹ Louise Sheiner and Georgia Nabors, "Social Security: Today's financing challenge is at least double what it was in 1983," Brookings Institution, September 18, 2023. Available at: <https://www.brookings.edu/articles/social-security-todays-financing-challenge-is-at-least-double-what-it-was-in-1983/>.

² Congressional Budget office, "Budget and Economic Data." Available at: <https://www.cbo.gov/data/budgeteconomic-data>.

³ BPC Action, "BPC Action: Now is the Time for a Bipartisan Fiscal Commission," January 18, 2024. Available at: <https://bpcaction.org/bpc-action-now-is-the-time-for-a-bipartisan-fiscal-commission/>.

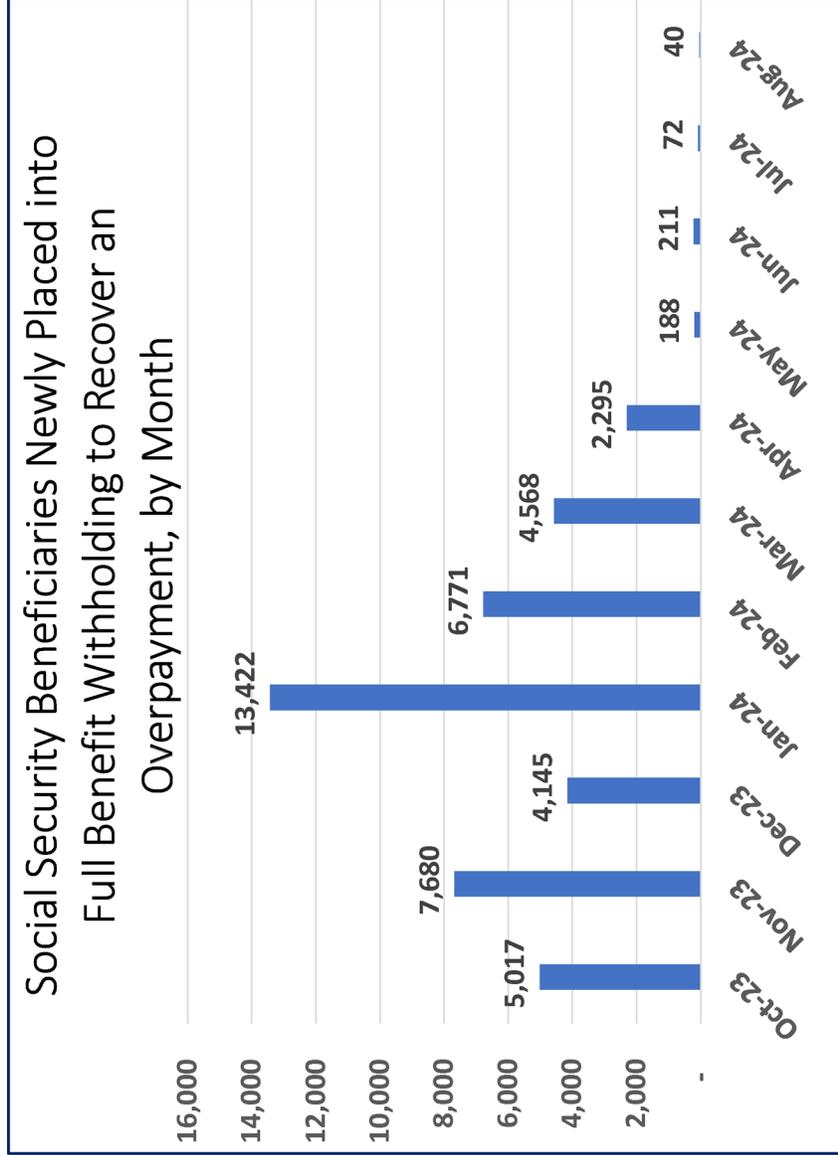
Finally, this legislation has only three currently serving co-sponsors in the Senate.

Do you agree that it is not realistic to propose to “fix” Social Security solely by raising taxes on “the rich?”

Do you also agree that to address Social Security’s looming shortfall it is necessary for Congress to consider bipartisan proposals that garner wide support in both Houses of Congress, not to mention presidential leadership, which doesn’t exist with the current Biden-Harris Administration?

A bipartisan, comprehensive approach to Social Security’s financial challenge is vital to ensure that that Congress acts on this important and contentious issue. Pronouncements such as “no benefit cuts” or “no tax increases” will not move the needle either politically or practically. Just as benefit cuts alone will not close the program’s shortfall, solely relying upon increased taxes on the highest earners ignores the federal government’s large fiscal problem—and the many demands on any additional revenues. Reducing the debt, investing in the country’s future, and defending the nation all require federal resources, making it impractical and irresponsible to tap a large source of revenue without considering how doing so may hinder other national priorities.

The leadership and members of both parties must contribute productively to this discussion instead of continuing to highlight red lines. Such a tone has been sorely lacking for decades, and I sincerely hope that the next presidential administration eschews sweeping statements to win political points in favor of serious and sustained leadership on this issue.



Statement for the Record
of the
American Federation of State, County and Municipal Employees (AFSCME)
before the
U.S. Senate Budget Committee
Hearing on “Social Security Forever: Delivering Benefits and Protecting Retirement Security”
September 11, 2024

On behalf of the 1.4 million members of the American Federation of State, County and Municipal Employees (AFSCME), I want to thank you for holding a hearing on “Social Security Forever: Delivering Benefits and Protecting Retirement Security.”

Since 1935, Social Security helps workers to secure a defined benefit to allow them to retire with dignity, provide for their spouse and dependent children when they die, and to have insurance in case a disabling long-term illness or injury strikes before they retire. More than 65 million people, or about 1 in every 5 U.S. residents, collected Social Security benefits in August 2024. Social Security reduces poverty dramatically among older adults. Without Social Security, the poverty rate for those aged 65 and over would near 40%; with Social Security, it is less than 10% in over two-thirds of states.

Social Security benefits are essential but modest. In August 2024, the average benefit for the three core groups of Social Security beneficiaries – retired workers, disabled workers and aged widow(er)s and surviving children – was only \$1,783.55 a month, or just over \$21,400 a year. This is well below the minimum income necessary to enable a secure but basic retirement for a single retiree in good health and with no mortgage payments. The annual Cost-of-Living Adjustment (COLA) helps protect the purchasing power of these monthly benefits for beneficiaries by keeping pace with the cost of inflation.

AFSCME urges Congress to repeal WEP and GPO and strengthen Social Security. The Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) unfairly penalize approximately 25% of public workers and impacts even larger percentages of public-school teachers and personnel, and still larger percentages of public safety workers. As of December 2023, about 2.1 million people (or about 3% of all Social Security beneficiaries) were affected by the WEP and 745,679 Social Security beneficiaries, or about 1% of all beneficiaries, had their spousal or widow(er)’s benefits reduced by the GPO. About 68% of all GPO-affected beneficiaries had their Social Security benefits reduced to zero.

The number affected by GPO does not include those who were potentially eligible for spousal or widow(er)’s benefits but were deterred from filing for them because of their expectation that the GPO would cut the spousal or widow(er)’s benefit. Due to the new data exchanges, the Social Security Administration (SSA) will soon have 35 years of W-2 earnings data for all covered workers on file. With this data, SSA will be able to more accurately identify individuals who are receiving pensions from non-covered employment but whose benefits are not yet being reduced. As SSA begins to use this data, it is likely that more individuals will have their Social Security benefits reduced, adding to the unfair burden this provision already imposes.

The Government Pension Offset (GPO) Harms Public Pensioners – Social Security pays benefits to the spouses of retired and disabled workers and to widow(er)s of deceased

workers. The GPO offset requires a reduction in the Social Security spousal and widow(er)'s benefit received by public employees who earn a pension from non-covered employment. The GPO offset amounts to a two-thirds reduction in one's public pension. If two-thirds of one's government pension is more than their Social Security benefit, their benefit could be reduced to zero. The GPO especially hurts low-wage public sector workers, particularly women, who find the Social Security benefits they expected diminished, if not eliminated entirely. This happens even if their public pension is very modest.

The Windfall Elimination Provision (WEP) Harms Public Pensioners – When the public pensioner has also worked in a Social Security-covered job for at least a decade, the WEP creates a public pension offset that can reduce that person's earned Social Security benefit. Under the WEP, because part of a retiree's public pension (from non-covered employment) is considered equivalent to a Social Security benefit, the earned Social Security benefits of retirees are calculated with a modified formula, and this leads to cuts in benefits. The WEP formula can cut a worker's earned Social Security benefit by more than half, up to \$587 in 2024. WEP also creates an indiscriminate penalty that is especially unfair because these workers pay the same percentage in payroll contributions on their Social Security-covered earnings as all others. Their Social Security benefits are completely earned.

The Windfall Elimination Provision (WEP) was the result of a fiscal commission proposal. We note that the WEP was enacted as part of the 1983 Social Security Refinancing Act (P.L. 98-21) that was designed to shore up the financing of the Social Security Trust Fund. It was the result of legislative ideas proposed at that time by a fiscal commission. WEP is a prime example of one of the reasons why AFSCME opposes fiscal commission proposals. They tend to focus exclusively on cutting Social Security, Medicare and Medicaid, among other bedrock programs, to reduce the deficit. Any commission examining federal fiscal health should examine the adequacy of current federal investments and entitlements, as well as needed revenues. We are concerned that a debt commission with fast-track approval would again make these key programs more vulnerable, as was the case with WEP.

Strengthening Social Security. There are ways to strengthen the solvency of programs like Medicare and Social Security, which give millions of Americans dignity and peace of mind. Currently, middle-class and lower-income Americans pay Social Security taxes on all their earnings, but higher-income Americans do not. That is not fair. **AFSCME supports the Medicare and Social Security Fair Share Act (S. 1174)** because it would extend the solvency of the trust funds for both Medicare and Social Security by more than 75 years. The bill would do this by requiring taxpayers with over \$400,000 in income to contribute their fair share to Social Security and to contribute more to the Medicare Hospital Insurance fund. The bill also would close loopholes that allow taxpayers making more than \$400,000 to disguise their earned income to evade their fair share of taxes. These changes are needed to make sure the bedrock programs of Social Security and Medicare are here for this and future generations.

In conclusion, AFSCME urges Congress to repeal WEP and GPO, and to pass the Medicare and Social Security Fair Share Act.



September 11, 2024

The Honorable Sheldon Whitehouse
The Honorable Chuck Grassley
Senate Committee on the Budget
624 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510

Dear Chairman Whitehouse and Ranking Member Grassley:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I submit the following for the record of the Senate Budget Committee hearing titled *Social Security Forever: Delivering Benefits and Protecting Retirement Security*. The National Committee is a grassroots advocacy and educational organization, and our members come from all walks of life and every political persuasion. What unites them is their passion for protecting and strengthening Social Security, Medicare, Medicaid, and the other programs that are so vitally important to older Americans.

The ability of hard-working Americans to access their earned Social Security benefits is directly related to the Social Security Administration's (SSA) ability to provide adequate customer service. Unfortunately, SSA has been seriously underfunded for many years, an intolerable situation at a time when 10,000 Americans are reaching age 65 every day. The result has been significant and growing backlogs of work, especially in the disability offices where an estimated 30,000 Americans died in 2023 alone waiting for disability decisions. The ongoing funding shortfalls are especially frustrating when one considers that the source of funding for SSA's operations comes from the Social Security Trust Funds themselves, not general revenue – and that contributions from American workers have built up a \$2.788 trillion surplus in these accounts, in addition to about \$1 trillion received in Federal Insurance Contributions Act (FICA) contributions each year.

It is incumbent upon Congress to provide a reliable and consistent level of funding for SSA, which historically has averaged 1.2 percent of annual benefits paid. This represents the level of funding historically provided to the agency prior to 2018 which allowed SSA to provide the superior levels of customer service American workers have earned. Instead, SSA is facing the possibility of a Limitation on Administrative Expenses (LAE) for Fiscal Year (FY) 2025 that will be barely adequate to continue current operations. Even more problematic is the likelihood of a funding level in the FY 2025 Continuing Resolution at or near FY 2024 levels.

As Congress considers a Continuing Resolution, it is essential that you provide the Social Security Administration (SSA) a rate for operations of \$15.4 billion in the Limitation on Administrative Expenses account.

We understand including anomalies in any temporary appropriations legislation is challenging, but the deterioration of service delivery at the Social Security Administration if additional funds are not provided fully justifies this funding. SSA continues to face increasing workloads across its operations, and call volume typically peaks during the first quarter of the fiscal year. Without the anomaly, SSA will be forced to operate with the lowest staffing levels in more than 50 years, resulting in further service deterioration. SSA would be required to reduce funding for core information technology operations including SSA's network support. In addition, SSA would likely reduce the hours field offices are open to the public and would need to close field offices over time, extending wait times for seniors and individuals with disabilities.

The agency and its employees have done an extraordinary job of making the most effective use of the dollars they have been appropriated, however, there is only so far SSA can go without a meaningful infusion of resources. This critical lifeline for millions of Americans must not be allowed to wither on the vine. Ultimately, SSA needs sustained, sufficient funding to improve service to the public, however, the anomaly level in FY 2025 would at least allow the agency to sustain service by maintaining FY 2023 staffing levels and critical IT investments.

In addition to our request for adequate funding for SSA, we would like to take this opportunity to express our support for Chairman Whitehouse's legislation, the "Medicare & Social Security Fair Share Act." This legislation ensures 75-year solvency for the Old-Age and Survivors (OASDI) and the Disability Insurance (DI) Social Security Trust Funds, and the Hospital Insurance (HI) Medicare Trust Fund. This bill should give all Americans confidence that Social Security and Medicare will be there for them when they need these critical programs.

The "Medicare & Social Security Fair Share Act" strengthens Social Security's financial foundations by increasing revenue dedicated to support the program through an extension of the payroll tax to the wages and unearned income of taxpayers in excess of \$400,000. Over time, the provision establishing a new wage threshold for payroll taxes would completely eliminate the cap on Social Security taxes. Applying payroll taxes to unearned income better reflects the evolution of income for our nation's workforce, as higher-income workers receive increasingly smaller portions of their income from wages. While the National Committee supports both of these provisions, we believe that providing additional Social Security benefits for the enhanced contributions would better preserve the earned nature of the Social Security program.

Social Security has been a bedrock program protecting the financial security of American workers in the case of retirement, disability or death. However, Social Security benefits have not been improved in over half a century and some of their value has eroded over the years. We believe the solvency extensions in this legislation would be greatly enhanced if they were paired with benefit improvements that meet the needs of today's workers and beneficiaries.

In addition, S. 1174 extends the solvency of the Medicare Hospital Insurance (HI) fund by increasing the Net Investment Income Tax (NIIT) by 1.2 percent (to 5 percent) for taxpayers over \$400,000 in income. The bill also closes the current loophole that allows the owners of pass-through businesses like hedge funds, private equity firms, and certain oil and gas companies to avoid Medicare taxes by requiring such taxpayers earning over \$400,000 to contribute to Medicare and Social Security on their pass-through business income.

The National Committee generally supports the provisions included in S. 1174 and has endorsed the "Medicare & Social Security Fair Share Act." This bill represents a bold and forceful step on behalf of seniors and all Americans by strengthening and safeguarding Social Security for future beneficiaries.

Sincerely,

A handwritten signature in black ink that reads "Max Richtman". The signature is written in a cursive, flowing style.

Max Richtman
President and CEO


Charles E. Grassley
United States Senator

Statement for the Record
from Senator Charles E. Grassley
“Social Security Forever: Delivering Benefits and Protecting Retirement Security”
September 11, 2024
Senate Budget Committee

I don't begrudge anyone for putting a plan forward, but partisan messaging bills with no chance of enactment get us no closer to addressing Social Security solvency. The legislation referenced at the hearing, S.1174, doesn't even have the support of more than a handful of Senate Democrats, let alone Republicans. If this bill had any possible chance of passing, the other side should have asked the Democratic Chairman of the Finance Committee to hold a markup of the proposal. I'd doubt many fellow Democrats would be willing to vote for what the Social Security actuary tells us is a \$26 trillion tax hike. And it wouldn't just hit the rich. We've had testimony that these kind of "tax the rich" proposals end up taxing an ever-increasing number of middle-class Americans as politically convenient income thresholds are eroded by inflation.

ACTUARIAL NOTE
Number 2021.7
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SOCIAL SECURITY ADMINISTRATION
Office of the Chief Actuary
Baltimore, Maryland

**MONEY'S WORTH RATIOS UNDER THE OASDI PROGRAM
FOR HYPOTHETICAL WORKERS**

by Michael Clingman, ASA, Kyle Burkhalter, FSA, and Chris Chaplain, ASA

Introduction

The OASDI program operates on an essentially pay-as-you-go (PAYGO) financing basis. Under a PAYGO plan, benefits do not depend on the accumulation of individual contributions, as in a defined contribution plan, nor do annual contributions depend on scheduled future benefits of current workers and beneficiaries, as in an advance-funded defined benefit plan. Rather, the total benefits paid in a year determine the combined amount that workers and employers need to contribute to fund the system for that year.

This note presents analysis of theoretical money's worth ratios for hypothetical workers with various earnings patterns and levels under the Old-Age, Survivors, and Disability Insurance (OASDI) program.¹ The money's worth ratio is the ratio of the present value of expected benefits to the present value of expected payroll taxes (contributions)² for an individual or a cohort of workers. A value of greater than one for this ratio indicates that, on a present value basis, more money is expected to be received in benefits than is expected to be paid in payroll taxes over the lifetime of that individual or cohort. For an individual or group of workers and associated dependents, money's worth ratios attempt to answer the question: How do benefits compare to payroll tax contributions? In other words, do particular individuals or groups get their "money's worth"?³

Money's worth ratios for a PAYGO-financed benefit program reflect only theoretical values for contributions on a cohort basis. Payments to beneficiaries each year, in comparison to the total cost of (or resources used by) the program for that year, determine the real value of benefits under a PAYGO social insurance program. On this basis, with current administrative expenses of less

than 1 percent of total program cost, the value of OASDI benefits is extraordinarily high.

While money's worth ratios reflect the value of expected benefits, they do not reflect the additional "peace of mind" value of reducing the financial risk to individuals for extreme outcomes, such as death or disability at very young ages or survival to very old ages. In addition, OASDI money's worth ratios are not truly comparable with similar ratios from private-sector plans, because many features of OASDI benefits are not typically available in private-sector plans. Two such features are annual cost-of-living adjustments and benefits for life in the event of disability. However, money's worth ratio analysis does indicate the relative value of benefits that the OASDI program provides across generations and types of workers. While the money's worth ratios in this note do not reflect any differences in mortality by earnings level, we recognize the tendency for higher earners to have greater life expectancy, which would offset, to some degree, the progressive nature of benefits on a lifetime basis.

All estimates in this note use the methods and assumptions from the intermediate alternative of the 2021 Trustees Report. Tables 1 through 6 present money's worth ratios for hypothetical scaled workers who differ by year of birth, earnings level, and family grouping. Tables 1 and 4 show the money's worth ratios for the *Current Law Scheduled* scenario, which uses contributions and benefits scheduled under current law. Because, under these assumptions, projected scheduled income will not fully finance scheduled benefits for the OASDI program after 2033, we include the two additional scenarios described below.

- **Increased Payroll Tax** - Increase payroll tax rates above those scheduled in current law for each year after 2033, such that total program income fully finances the benefits scheduled in current law for each year. Tables 2 and 5 present the money's worth ratios for this scenario.
- **Payable Benefits** - Reduce benefits below those scheduled in current law by a specified percentage for each year after 2033, such that current-law program income is sufficient to pay the resulting

¹ Money's worth ratios are theoretical measures that are not directly relevant for a pay-as-you-go financed benefit program, as discussed later in this section.

² Payroll taxes include any amounts transferred from the General Fund of the Treasury to substitute for employee/employer contributions, such as the 2 percent employee payroll tax reduction in 2011 and 2012 under Public Laws 111-312, 112-78, and 112-96.

³ Because the OASDI Trust Funds receive transfers from the General Fund of the Treasury equal to a portion of taxes on benefits, money's worth ratios that ignore these transfers may arguably be overstated. Due to the difficulty of determining the level of income tax on benefits, this factor is not addressed in this note.

benefits. Tables 3 and 6 present the money's worth ratios for this scenario.

This note presents hypothetical workers with four different levels of *scaled* pre-retirement earnings patterns.⁴ A worker with a *scaled* earnings pattern has earnings that vary with age as a percentage of the national average wage index (AWI). The scaled worker enters the labor force at age 21 and retires at age 65. The scaled earnings level at each age reflects both the average earnings level of workers at that age and the percentage of individuals at that age who work. In addition to the scaled workers, this note presents a hypothetical steady maximum worker who has earnings at or above the OASDI contribution and benefit base for each year from age 22 to retirement at age 65.

The Office of the Chief Actuary (OCACT) has been producing theoretical money's worth ratios for a number of years, including for recurring Actuarial Note Number 2020.7⁵ and for the 1994-96 Advisory Council Report on Social Security.⁶ OCACT based the analyses in the 1994-96 Advisory Council report on hypothetical workers with *steady* earnings patterns, that is, workers with earnings that are a constant percentage of the AWI for each year of work. OCACT first introduced non-steady hypothetical workers, referred to as scaled workers, in Actuarial Note Number 144 in 2001.⁷ Other authors have addressed alternative approaches to considering non-steady earnings histories, and we recognize that a broader set of earnings patterns may provide additional insights into the distributions of benefits payable and money's worth ratios under the OASDI program. However, for the sake of practicality, we limit the number of cases considered in this note.

Methodology and Assumptions

This note presents theoretical money's worth ratios for three hypothetical scenarios for the future of the OASDI program: *Current Law Scheduled*, *Increased Payroll Tax*, and *Payable Benefits*. The *Current Law Scheduled* scenario utilizes the taxes and benefits specified in current law, even though projected program income and assets under current law are inadequate to pay all benefits through the 75-year projection period.

⁴ Additional details on developing scaled earnings patterns appear in recurring Actuarial Note Number 2021.3, at <http://www.ssa.gov/OACT/NOTES/ran3/an2021-3.pdf>.

⁵ See <https://www.ssa.gov/OACT/NOTES/ran7/an2020-7.pdf>.

⁶ The final report is located at <http://www.ssa.gov/history/reports/adccouncil/report/toc.htm>.

⁷ This note appears at <http://www.ssa.gov/OACT/NOTES/note2000/note144.html>.

The *Increased Payroll Tax* scenario raises payroll tax rates, beginning with the year of Trust Fund reserve depletion, to fully finance scheduled benefits in every year. The payroll tax rate increases from the current law amount of 12.4 percent beginning in 2034. The payroll tax rate increases to 15.95 percent for 2035 and continues to increase year-by-year, reaching 16.73 percent for 2095. Under this scenario, the payroll tax rate increases further after 2095 due to continuing increases in life expectancy.

Under the third scenario, *Payable Benefits*, payroll tax rates hold constant as specified in current law, while benefits decrease for each year after Trust Fund reserve depletion, so that benefits paid equal taxes received for the Trust Funds as a whole. The reductions from scheduled benefit levels are assumed to apply proportionally to all types of benefits paid during the year. The intermediate projections of the 2021 Trustees Report show that program income does not fully finance scheduled benefits in 2034 and later. Thus, for the *Payable Benefits* scenario, annual benefit reductions begin in 2034 and generally increase each year thereafter. Projected program income, using current-law tax rates, pays 78.0 percent of scheduled benefits in 2035 and 74.0 percent of scheduled benefits in 2095. Under this scenario, annual reductions in benefits continue to grow after 2095 due to continuing increases in life expectancy.

The four earnings patterns for the hypothetical scaled workers reflect very low, low, medium, and high career-average levels of pre-retirement earnings patterns starting at age 21. OCACT sets the career-average level of earnings for these workers at a specified percent of the AWI. For the scaled medium earner, the career-average level of earnings is approximately equal to the AWI. For the scaled very low, low, and high earners, the career-average level of earnings is approximately equal to 25, 45, and 160 percent of the AWI, respectively.

Table A compares overall earnings for these hypothetical workers to those of actual retiring workers. We use the Average Indexed Monthly Earnings⁸ (AIME), which is based on a worker's earnings, as a measure of overall earnings. We develop the distribution of actual workers retiring from 2015 to 2020 from a one-percent sample of Social Security administrative records.

⁸ See <http://www.ssa.gov/OACT/COLA/Benefits.html> for more details on how to calculate the AIME.

Table A. Distribution of AIMEs of Actual Workers Retiring in Years 2015 to 2020, Relative to AIMEs for Hypothetical Workers Retiring in 2015 to 2020

Hypothetical worker ¹ (Career-average earnings) ²	Percent with AIME less than AIME for hypothetical case			Percent with AIME closest to AIME for hypothetical case ³		
	All men	All women	Total, all workers	All men	All women	Total, all workers
Very Low (\$13,473).....	7.8	15.8	11.8	12.2	23.9	18.0
Low (\$24,252).....	16.3	32.0	24.0	16.0	29.2	22.5
Medium (\$53,892).....	42.3	70.6	56.2	29.9	30.7	30.3
High (\$86,228).....	71.4	91.5	81.2	27.1	13.2	20.3
Maximum (\$132,868).....	100.0	100.0	100.0	14.9	2.9	9.0

¹ See text for definitions of hypothetical workers.

² Career-average earnings of hypothetical scaled workers retiring at age 62 in 2020. Earnings are wage indexed to 2019 in this calculation.

³ Rounded values do not necessarily sum to 100 percent. The percentage of workers with AIME values closest to that of the hypothetical maximum worker is expected to decline in future years. This is due to a significant increase in OASDI taxable earnings, relative to the AWL, in 1981 and a smaller increase in 1990.

Note: Worker distributions include individuals who are dually entitled, or may become dually entitled to a higher benefit in the future, based on another worker's account. A significant proportion of entitled female workers, especially those with lower earnings, will receive higher benefits as aged spouse or aged widow beneficiaries. If such dually entitled workers were excluded from this analysis, the distributions would be skewed more toward the higher-level hypothetical workers.

This note groups the hypothetical workers into four categories: single men, single women, one-earner couples where only the husband is employed, and two-earner couples. The note presents the single-earner and one-earner couple examples for the four earnings patterns listed above as well as for the hypothetical steady maximum worker. In addition, the note presents the two-earner couples at seven earnings combinations as follows:

- 1) Husband high, wife high;
- 2) Husband high, wife medium;
- 3) Husband medium, wife medium;
- 4) Husband medium, wife low;
- 5) Husband low, wife low;
- 6) Husband low, wife very low; and
- 7) Husband very low, wife very low.

Of course, there are many other types of couples and earnings patterns that could be presented, including same-sex couples and couples where the wife is the sole or higher earner. The examples presented in this note are intended to illustrate a broad, but not complete, range of possibilities.

We assume that each scaled worker is born on January 2 and starts working on his/her 21st birthday.⁹ The wife and husband of each couple have the same date of birth. Each marriage occurs on the joint 22nd birthday of the wife and husband and continues for life. Assuming that marriages are life-long means that the calculated money's worth ratios do not reflect the effects of divorce and of remarriage after death or divorce. However, because each individual may receive a total benefit equal only to the highest of any spouse, widow(er), or worker benefit that may be available, this omission has only a minor consequence. We assume that the couples have two children, one on the joint 27th birthday of the wife and husband, and the other on the joint 29th birthday of the wife and husband. We consider all types of retirement, disability, and survivor benefits, except for benefits to student children, disabled-adult children, and parents based on caring for a disabled-adult child. Omission of these benefits results in a very small understatement of the theoretical money's worth ratio.

We assume that all nondisabled, surviving workers retire at age 65. We assume no mortality for children through age 18 in this analysis. The interest rates used in these computations are the effective interest rates earned by the assets of the hypothetical combined OASI and DI Trust Funds for past years and those projected for future years. Table B shows these interest rates.

⁹ The maximum steady worker is assumed to be born on January 2 and to start working on his/her 22nd birthday.

Table B. Effective Nominal and Real Interest Rates Earned by the Combined OASI and DI Trust Funds (Percent)

Year	Effective nominal interest rate	Effective real interest rate	Year	Effective nominal interest rate	Effective real interest rate	Year	Effective nominal interest rate	Effective real interest rate
1941	2.4	-2.4	1981	9.9	-0.3	2021	2.5	-0.6
1942	2.3	-7.9	1982	11.2	4.9	2022	2.3	-0.1
1943	2.1	-3.7	1983	10.8	7.5	2023	2.2	-0.2
1944	2.0	0.3	1984	11.6	7.9	2024	2.1	-0.3
1945	2.1	-0.2	1985	11.2	7.4	2025	2.1	-0.3
1946	2.0	-6.0	1986	11.1	9.4	2026	2.3	-0.1
1947	1.9	-11.0	1987	10.1	6.2	2027	2.5	0.1
1948	2.8	-4.4	1988	9.8	5.6	2028	2.7	0.3
1949	1.3	2.2	1989	9.6	4.5	2029	2.9	0.5
1950	2.0	1.0	1990	9.3	3.9	2030	3.1	0.7
1951	2.9	-4.8	1991	9.1	4.9	2031	3.3	0.9
1952	2.2	-0.1	1992	8.7	5.7	2032	3.6	1.1
1953	2.3	1.6	1993	8.3	5.3	2033	3.7	1.3
1954	2.3	1.9	1994	8.0	5.4	2034	4.5	2.0
1955	2.2	2.5	1995	7.8	4.9	2035	4.6	2.2
1956	2.4	0.9	1996	7.6	4.6	2036	4.7	2.2
1957	2.5	-0.9	1997	7.5	5.2	2037	4.7	2.3
1958	2.5	-0.2	1998	7.2	5.8	2038	4.7	2.3
1959	2.6	1.7	1999	6.9	4.6	2039	4.7	2.3
1960	2.6	1.0	2000	6.9	3.3	2040	4.7	2.3
1961	2.8	1.6	2001	6.6	3.8	2041 and later	4.8	2.3
1962	2.8	1.7	2002	6.4	5.0			
1963	2.9	1.6	2003	6.0	3.7			
1964	3.1	1.8	2004	5.7	3.0			
1965	3.2	1.6	2005	5.5	1.9			
1966	3.5	0.5	2006	5.3	2.0			
1967	3.8	1.0	2007	5.3	2.3			
1968	4.0	-0.2	2008	5.1	1.0			
1969	4.4	-1.0	2009	4.9	5.6			
1970	5.1	-0.7	2010	4.6	2.5			
1971	5.3	0.9	2011	4.4	0.8			
1972	5.4	2.0	2012	4.1	1.9			
1973	5.8	-0.4	2013	3.8	2.4			
1974	6.2	-4.3	2014	3.6	2.0			
1975	6.6	-2.3	2015	3.4	3.8			
1976	6.7	1.0	2016	3.2	2.2			
1977	7.0	0.4	2017	3.0	0.8			
1978	7.2	-0.4	2018	2.9	0.3			
1979	7.5	-3.5	2019	2.8	1.1			
1980	8.6	-4.3	2020	2.6	1.4			

Analysis of Results

The following tables present the theoretical money's worth ratios. The tables facilitate comparison of ratios across different family groups, different years of birth, and different career-average levels of earnings.

Tables 1 through 6 present results for single men, single women, one-earner couples, and two-earner couples under the following three OASDI program scenarios:

- *Current Law Scheduled.*
- *Increased Payroll Tax.* and
- *Payable Benefits.*

For each sex, family grouping, and year-of-birth cohort, the money's worth ratios decrease as earnings increase. This decrease occurs because the benefit formula replaces a higher proportion of career-average earnings for beneficiaries with lower earnings. The advantage for lower earners is partially offset by their lower life expectancy.¹⁰ Women have lower mortality than men, resulting in higher likelihood of surviving to retirement age, longer life after retirement, and therefore higher ratios, even when earnings levels are the same. The one-earner couples have the highest ratios because of the auxiliary spouse, child, and widow(er) benefits payable based on one earnings record.

In tables 1, 2, and 3, where both spouses have the same earnings, the money's worth ratio for the two-earner couples is closer to, and sometimes higher than, the higher ratio for single women because of the inclusion of child benefits not reflected for single cases. In tables 4, 5, and 6, where spouses have different earnings levels, the two-earner ratio is generally closer to the ratio for single women, at the wife's earnings level, because of the inclusion of child and surviving spouse benefits. For the cases presented in this note, the lower earner's (wife's) retired worker benefit is always more than one-half of her husband's, so no aged spouse's benefit is payable.

This note does not include cases where a single individual has children. We believe that the ratio for such cases will fall between those for the single worker and one-earner couple.

Based on the rising tax rates for the OASDI program (combined employer and employee tax rates increased from 2 percent in 1941 to 12.4 percent starting in 1990), and the declining relative value of benefits due to increases in the normal retirement age (NRA), one might expect that money's worth ratios would decline steadily for later years of birth. In fact, all of the combinations of sex, family groupings, and earnings levels show

¹⁰ While the ratios in this note do not reflect any differences in mortality by earnings level, we recognize the tendency for higher earners to have greater life expectancy, which would offset, to some degree, the progressive nature of benefits on a lifetime basis.

substantial decreases in the money's worth ratios from the first to the fourth year-of-birth cohorts (1920 to 1943).

Interest rates and their relationship to the growth rates in the average wage level and the level of prices have specific and complicated implications for money's worth ratios. Effective interest rates earned by the trust funds remained below 3 percent from 1940 (when the trust funds began) through 1963. After 1963, they gradually increased to over 11 percent in the mid-1980s, and then gradually decreased and are projected to continue to decrease to about 2.1 percent in 2024. Projected interest rates begin to increase thereafter and ultimately reach about 4.8 percent.

For the *Current Law Scheduled* scenario (tables 1 and 4), from the 1943 to the 1973 birth cohort, the money's worth ratios increase uniformly across all family groupings, except for maximum earners which increase with some fluctuations. For these cohorts, improved mortality and variations in interest rates between the contribution and payout periods offset increases in payroll tax rates and the NRA. Ratios for maximum earners stay relatively constant from the 1943 to the 1949 cohort in part because of the increasing relative level of the taxable maximum through 1982. Ratios for maximum earners then increase from the 1949 to the 1973 cohort, and then decrease for all family groupings, with decreases due to changes in interest rates offsetting increases due to higher life expectancy.

For the *Increased Payroll Tax* scenario (tables 2 and 5) payroll tax rates increase from those scheduled in current law beginning in 2034. Money's worth ratios for the first seven year-of-birth cohorts (the 1920 through 1964 cohorts) are the same as for the *Current Law Scheduled* scenario for all family groupings and earnings levels, since each of these year-of-birth cohorts reaches age 65 prior to 2034 and is not affected by the tax increase. Money's worth ratios decrease for the 1973 and later cohorts relative to the *Current Law Scheduled* scenario in all categories. Within the *Increase Payroll Tax* scenario, after the 1973 birth cohort, money's worth ratios decrease for all family groupings for the same reasons as given for the *Current Law Scheduled* scenario in the previous paragraph, and because of increasing payroll tax rates.

For the *Payable Benefits* scenario (tables 3 and 6), benefits decrease from those scheduled in current law beginning in 2034. For the 1920 to the 1937 birth cohort, only retired beneficiaries at very advanced ages are affected and there is little significant change from the *Current Law Scheduled* scenario. The effects of Trust Fund reserve depletion, and resulting lower benefits payable after 2033, start to fully appear in the 1943 birth cohort. From the 1943 to the 1964 birth cohort, the money's worth ratios increase for all except maximum earners, with increases due to higher life expectancy

generally exceeding decreases due to reductions in benefits payable at older ages. For maximum earners from the 1943 to the 1964 cohort, the increasing relative levels of the taxable maximum through 1982 combined with decreased benefits largely offset increases due to higher life expectancy, causing money's worth ratios to either decrease or increase only slightly. After the 1973 birth cohort, the cumulative effect of reductions in benefits payable causes the money's worth ratios to decrease for all worker combinations and earnings levels.

Conclusion

This note presents theoretical money's worth ratios over time for various illustrative demographic groups and earnings levels. We could have used a variety of other approaches, methods, and assumptions in this type of analysis. However, these hypothetical examples provide useful insight into how individual and cohort money's worth ratios vary across generations, and within generations by sex, earnings level and pattern, and family grouping.

It is important to keep the significance of the money's worth ratio in proper perspective. A higher ratio does not necessarily mean a higher monthly benefit, even for two individuals with the same earnings. As one example, consider a man and a woman with the same earnings. A

woman born in 1975 may expect to live 22.7 years on average after reaching age 65. Her male counterpart born in 1975 may expect to live 20.2 years on average after reaching age 65. Her expected number of years of life after age 65 exceeds his by 12 percent, and, as a result, her money's worth ratio is considerably higher than his. However, the monthly benefit she receives is exactly the same as he receives. Her higher money's worth ratio derives solely from her longer expected lifetime.

Based on the provisions for benefits in the Social Security Act that have evolved since 1935, a primary goal of the OASDI program is to provide monthly benefit levels with a mix of equity (higher benefits for higher earners/contributors) and adequacy (replacement of a larger portion of pre-retirement earnings for lower earners). The program's goal is not to provide similar lifetime benefits or money's worth ratios across earnings levels, family groupings, or generations.

Money's worth ratios for a PAYGO-financed benefit program reflect only theoretical values for contributions on a cohort basis. Payments to beneficiaries each year, in comparison to the total cost of (or resources used by) the program for that year, determine the real value of benefits under a PAYGO social insurance program. On this basis, with current administrative expenses of less than 1 percent of total program cost, the real value of OASDI benefits is extraordinarily high.

Table 1. Money's Worth Ratios for Scaled Workers with Various Earnings Levels
 OASDI Program--*Current Law Scheduled Scenario*
 (Percent)

Earnings level	Year of birth	Year attains age 65	Single man	Single woman	One-earner couple	Two-earner couple
Very Low	1920	1985	2.49	3.04	5.41	2.90
	1930	1995	1.57	1.84	3.22	1.82
	1937	2002	1.47	1.69	2.94	1.72
	1943	2008	1.39	1.60	2.73	1.62
	1949	2014	1.50	1.74	2.88	1.71
	1955	2020	1.71	2.02	3.24	1.93
	1964	2029	2.05	2.41	3.76	2.30
	1973	2038	2.23	2.61	4.03	2.48
	1985	2050	2.17	2.49	3.88	2.40
	1997	2062	2.02	2.30	3.57	2.23
2004	2069	2.00	2.26	3.49	2.20	
Low	1920	1985	1.99	2.43	4.29	2.32
	1930	1995	1.15	1.35	2.37	1.35
	1937	2002	1.08	1.23	2.15	1.26
	1943	2008	1.01	1.16	1.99	1.18
	1949	2014	1.09	1.26	2.10	1.25
	1955	2020	1.25	1.47	2.37	1.42
	1964	2029	1.50	1.76	2.76	1.69
	1973	2038	1.63	1.90	2.95	1.82
	1985	2050	1.59	1.82	2.84	1.76
	1997	2062	1.48	1.68	2.62	1.64
2004	2069	1.46	1.65	2.56	1.62	
Medium	1920	1985	1.36	1.66	2.96	1.60
	1930	1995	0.85	0.99	1.78	1.02
	1937	2002	0.80	0.91	1.62	0.96
	1943	2008	0.75	0.86	1.50	0.89
	1949	2014	0.81	0.94	1.58	0.94
	1955	2020	0.92	1.09	1.77	1.06
	1964	2029	1.11	1.30	2.06	1.26
	1973	2038	1.21	1.41	2.20	1.36
	1985	2050	1.17	1.34	2.12	1.32
	1997	2062	1.09	1.24	1.95	1.23
2004	2069	1.08	1.22	1.91	1.21	
High	1920	1985	1.23	1.49	2.65	1.43
	1930	1995	0.74	0.86	1.54	0.88
	1937	2002	0.67	0.77	1.36	0.81
	1943	2008	0.62	0.71	1.24	0.74
	1949	2014	0.67	0.78	1.31	0.78
	1955	2020	0.76	0.90	1.47	0.88
	1964	2029	0.92	1.08	1.71	1.05
	1973	2038	1.00	1.17	1.82	1.13
	1985	2050	0.97	1.12	1.76	1.10
	1997	2062	0.91	1.03	1.62	1.02
2004	2069	0.90	1.01	1.59	1.01	
Maximum ¹	1920	1985	1.12	1.36	2.42	1.31
	1930	1995	0.66	0.77	1.38	0.78
	1937	2002	0.60	0.69	1.21	0.71
	1943	2008	0.54	0.62	1.06	0.63
	1949	2014	0.54	0.63	1.06	0.63
	1955	2020	0.57	0.67	1.10	0.66
	1964	2029	0.66	0.77	1.23	0.76
	1973	2038	0.73	0.86	1.34	0.83
	1985	2050	0.73	0.84	1.32	0.82
	1997	2062	0.68	0.77	1.22	0.77
2004	2069	0.66	0.75	1.17	0.75	

¹ Other earnings levels shown in this table are more representative of individuals' actual earnings histories (see table A).

Note: Based on the intermediate assumptions of the 2021 Trustees Report.

Table 2. Money's Worth Ratios for Scaled Workers with Various Earnings Levels
 OASDI Program—Increased Payroll Tax Scenario
 (Percent)

Earnings level	Year of birth	Year attains age 65	Single man	Single woman	One-earner couple	Two-earner couple
Very Low	1920	1985	2.49	3.04	5.41	2.90
	1930	1995	1.57	1.84	3.22	1.82
	1937	2002	1.47	1.69	2.94	1.72
	1943	2008	1.39	1.60	2.73	1.62
	1949	2014	1.50	1.74	2.88	1.71
	1955	2020	1.71	2.02	3.24	1.93
	1964	2029	2.05	2.41	3.76	2.30
	1973	2038	2.20	2.56	3.96	2.44
	1985	2050	1.97	2.26	3.52	2.18
	1997	2062	1.69	1.92	2.98	1.86
2004	2069	1.59	1.79	2.77	1.74	
Low	1920	1985	1.99	2.43	4.29	2.32
	1930	1995	1.15	1.35	2.37	1.35
	1937	2002	1.08	1.23	2.15	1.26
	1943	2008	1.01	1.16	1.99	1.18
	1949	2014	1.09	1.26	2.10	1.25
	1955	2020	1.25	1.47	2.37	1.42
	1964	2029	1.50	1.76	2.76	1.69
	1973	2038	1.61	1.87	2.90	1.79
	1985	2050	1.44	1.65	2.58	1.60
	1997	2062	1.23	1.40	2.19	1.37
2004	2069	1.16	1.31	2.03	1.28	
Medium	1920	1985	1.36	1.66	2.96	1.60
	1930	1995	0.85	0.99	1.78	1.02
	1937	2002	0.80	0.91	1.62	0.96
	1943	2008	0.75	0.86	1.50	0.89
	1949	2014	0.81	0.94	1.58	0.94
	1955	2020	0.92	1.09	1.77	1.06
	1964	2029	1.11	1.30	2.06	1.26
	1973	2038	1.19	1.38	2.16	1.34
	1985	2050	1.06	1.22	1.92	1.20
	1997	2062	0.91	1.03	1.63	1.02
2004	2069	0.86	0.97	1.52	0.96	
High	1920	1985	1.23	1.49	2.65	1.43
	1930	1995	0.74	0.86	1.54	0.88
	1937	2002	0.67	0.77	1.36	0.81
	1943	2008	0.62	0.71	1.24	0.74
	1949	2014	0.67	0.78	1.31	0.78
	1955	2020	0.76	0.90	1.47	0.88
	1964	2029	0.92	1.08	1.71	1.05
	1973	2038	0.99	1.15	1.79	1.11
	1985	2050	0.88	1.01	1.59	0.99
	1997	2062	0.76	0.86	1.35	0.85
2004	2069	0.71	0.80	1.26	0.80	
Maximum ¹	1920	1985	1.12	1.36	2.42	1.31
	1930	1995	0.66	0.77	1.38	0.78
	1937	2002	0.60	0.69	1.21	0.71
	1943	2008	0.54	0.62	1.06	0.63
	1949	2014	0.54	0.63	1.06	0.63
	1955	2020	0.57	0.67	1.10	0.66
	1964	2029	0.66	0.77	1.23	0.76
	1973	2038	0.72	0.84	1.31	0.82
	1985	2050	0.67	0.76	1.20	0.75
	1997	2062	0.57	0.65	1.03	0.65
2004	2069	0.53	0.60	0.95	0.60	

¹ Other earnings levels shown in this table are more representative of individuals' actual earnings histories (see table A).
 Note: Based on the intermediate assumptions of the 2021 Trustees Report.

Table 3. Money's Worth Ratios for Scaled Workers with Various Earnings Levels
 OASDI Program--*Payable Benefits Scenario*
 (Percent)

Earnings level	Year of birth	Year attains age 65	Single man	Single woman	One-earner couple	Two-earner couple
Very Low	1920	1985	2.49	3.04	5.41	2.90
	1930	1995	1.57	1.84	3.22	1.82
	1937	2002	1.47	1.69	2.93	1.72
	1943	2008	1.38	1.58	2.70	1.60
	1949	2014	1.46	1.68	2.78	1.66
	1955	2020	1.60	1.87	3.00	1.80
	1964	2029	1.76	2.06	3.19	1.98
	1973	2038	1.76	2.05	3.17	2.00
	1985	2050	1.64	1.88	2.98	1.86
	1997	2062	1.48	1.68	2.66	1.67
2004	2069	1.45	1.64	2.57	1.62	
Low	1920	1985	1.99	2.43	4.29	2.32
	1930	1995	1.15	1.35	2.37	1.35
	1937	2002	1.07	1.23	2.14	1.26
	1943	2008	1.00	1.15	1.97	1.17
	1949	2014	1.06	1.22	2.03	1.21
	1955	2020	1.17	1.36	2.20	1.33
	1964	2029	1.29	1.50	2.34	1.46
	1973	2038	1.29	1.50	2.32	1.47
	1985	2050	1.20	1.37	2.19	1.37
	1997	2062	1.08	1.23	1.95	1.23
2004	2069	1.06	1.20	1.89	1.20	
Medium	1920	1985	1.36	1.66	2.96	1.60
	1930	1995	0.85	0.99	1.78	1.02
	1937	2002	0.80	0.91	1.62	0.96
	1943	2008	0.74	0.85	1.48	0.88
	1949	2014	0.78	0.90	1.52	0.91
	1955	2020	0.86	1.01	1.64	0.99
	1964	2029	0.95	1.11	1.75	1.09
	1973	2038	0.95	1.11	1.73	1.10
	1985	2050	0.89	1.01	1.63	1.02
	1997	2062	0.80	0.91	1.46	0.92
2004	2069	0.78	0.89	1.41	0.90	
High	1920	1985	1.23	1.49	2.65	1.43
	1930	1995	0.74	0.86	1.54	0.88
	1937	2002	0.67	0.77	1.36	0.81
	1943	2008	0.62	0.71	1.23	0.73
	1949	2014	0.65	0.75	1.26	0.76
	1955	2020	0.72	0.84	1.37	0.83
	1964	2029	0.79	0.92	1.45	0.91
	1973	2038	0.79	0.92	1.44	0.92
	1985	2050	0.74	0.84	1.36	0.85
	1997	2062	0.66	0.75	1.21	0.77
2004	2069	0.65	0.74	1.17	0.74	
Maximum ¹	1920	1985	1.12	1.36	2.42	1.31
	1930	1995	0.66	0.77	1.38	0.78
	1937	2002	0.60	0.68	1.20	0.71
	1943	2008	0.53	0.61	1.05	0.63
	1949	2014	0.53	0.61	1.02	0.61
	1955	2020	0.54	0.63	1.02	0.62
	1964	2029	0.57	0.66	1.05	0.65
	1973	2038	0.58	0.68	1.06	0.68
	1985	2050	0.55	0.63	1.02	0.64
	1997	2062	0.50	0.56	0.91	0.58
2004	2069	0.48	0.54	0.87	0.55	

¹ Other earnings levels shown in this table are more representative of individuals' actual earnings histories (see table A).
 Note: Based on the intermediate assumptions of the 2021 Trustees Report.

Table 4. Money's Worth Ratios for Scaled Two-Earner Couples with Selected Earnings Levels

OASDI Program--*Current Law Scheduled Scenario*
(Percent)

Year of birth	Year attains age 65	H: very low W: very low	H: low W: very low	H: low W: low	H: med W: low	H: med W: med	H: high W: med	H: high W: high
1920	1985	2.90	2.70	2.32	1.98	1.60	1.56	1.43
1930	1995	1.82	1.60	1.35	1.24	1.02	0.98	0.88
1937	2002	1.72	1.50	1.26	1.16	0.96	0.91	0.81
1943	2008	1.62	1.40	1.18	1.08	0.89	0.84	0.74
1949	2014	1.71	1.49	1.25	1.14	0.94	0.89	0.78
1955	2020	1.93	1.67	1.42	1.28	1.06	1.00	0.88
1964	2029	2.30	1.98	1.69	1.51	1.26	1.18	1.05
1973	2038	2.48	2.13	1.82	1.62	1.36	1.26	1.13
1985	2050	2.40	2.06	1.76	1.56	1.32	1.22	1.10
1997	2062	2.23	1.92	1.64	1.45	1.23	1.14	1.02
2004	2069	2.20	1.88	1.62	1.42	1.21	1.12	1.01

Note: Based on the intermediate assumptions of the 2021 Trustees Report.

Table 5. Money's Worth Ratios for Scaled Two-Earner Couples with Selected Earnings Levels

OASDI Program--*Increased Payroll Tax Scenario*
(Percent)

Year of birth	Year attains age 65	H: very low W: very low	H: low W: very low	H: low W: low	H: med W: low	H: med W: med	H: high W: med	H: high W: high
1920	1985	2.90	2.70	2.32	1.98	1.60	1.56	1.43
1930	1995	1.82	1.60	1.35	1.24	1.02	0.98	0.88
1937	2002	1.72	1.50	1.26	1.16	0.96	0.91	0.81
1943	2008	1.62	1.40	1.18	1.08	0.89	0.84	0.74
1949	2014	1.71	1.49	1.25	1.14	0.94	0.89	0.78
1955	2020	1.93	1.67	1.42	1.28	1.06	1.00	0.88
1964	2029	2.30	1.98	1.69	1.51	1.26	1.18	1.05
1973	2038	2.44	2.09	1.79	1.59	1.34	1.24	1.11
1985	2050	2.18	1.87	1.60	1.42	1.20	1.11	0.99
1997	2062	1.86	1.60	1.37	1.21	1.02	0.95	0.85
2004	2069	1.74	1.49	1.28	1.13	0.96	0.89	0.80

Note: Based on the intermediate assumptions of the 2021 Trustees Report.

Table 6. Money's Worth Ratios for Scaled Two-Earner Couples with Selected Earnings Levels

OASDI Program--*Payable Benefits Scenario*
(Percent)

Year of birth	Year attains age 65	H: very low W: very low	H: low W: very low	H: low W: low	H: med W: low	H: med W: med	H: high W: med	H: high W: high
1920	1985	2.90	2.70	2.32	1.98	1.60	1.56	1.43
1930	1995	1.82	1.60	1.35	1.24	1.02	0.98	0.88
1937	2002	1.72	1.49	1.26	1.15	0.96	0.90	0.81
1943	2008	1.60	1.39	1.17	1.06	0.88	0.83	0.73
1949	2014	1.66	1.44	1.21	1.10	0.91	0.86	0.76
1955	2020	1.80	1.56	1.33	1.19	0.99	0.93	0.83
1964	2029	1.98	1.70	1.46	1.29	1.09	1.01	0.91
1973	2038	2.00	1.73	1.47	1.31	1.10	1.03	0.92
1985	2050	1.86	1.60	1.37	1.21	1.02	0.95	0.85
1997	2062	1.67	1.43	1.23	1.08	0.92	0.85	0.77
2004	2069	1.62	1.39	1.20	1.05	0.90	0.83	0.74

Note: Based on the intermediate assumptions of the 2021 Trustees Report.

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<https://federalnewsnetwork.com/federal-report/2024/02/new-social-security-telework-policy-just-might-be-the-blueprint-for-everybody/>



New Social Security telework policy just might be the blueprint for everybody

Commissioner Martin O'Malley wants top managers in 4 days a week, but it gets looser the farther out you go



Tom Temin@tteminWFED
February 1, 2024 6:23 pm
4 min read

Is it the commute, the office or the greater ability to interleave life and work? Whatever it is, resistance to return-to-the-office directives has proven surprisingly durable. But it's far from universal among the rank-and-file.

Social Security Administration chief Martin O'Malley is the latest federal executive to poke the telework wasp nest. His Wednesday email to staff, and shared with media including us, lays out a range of new telework policies that take effect April 7th. He prefaced his message with this: "Every morning for the last 32 days, I've been going to work at headquarters or catching pre-dawn flights to Social Security Regions across our country. I do this to hear from — and learn from — as many of you as possible, as soon as possible, about what's really going on."

After a long preamble, O'Malley tells SSA employees that he'll be in the Baltimore headquarters office or some other office Monday through Friday. The commissioner's staff will be required to be on-site four days a week. Deputy commissioners and their staffs, and area director office staffs must "increase" reporting onsite to three days a week.

Those working in the Office of the Chief Information Officer will have to report onsite two days a week, which O'Malley also describes as an increase. He's calling for "greater presence for top level executives at the discretion of the CIO."

Field offices, hearings offices and centers, case assistance centers, administrative law judge offices, appellate operations and the Office of Quality Review will all continue with whatever telework levels they now have, but they'll operate five days a week.

If anything, the seemingly tough Social Security policy in reality shows how entrenched telework has become.

For reaction I checked the reliable [Social Security News](#) site. It's operated by a law firm, Hall & Rouse, in Raleigh, North Carolina. Posting the entire O'Malley email drew comments from "Bravo. It's about time" and "sounds reasonable" to "Took him 32 days to lose his credibility" and "This policy makes no sense for [Office of General Counsel]."

That last one caught my eye. The commenter said attorneys "who have been able to work uninterrupted for long hours are now going to have to commute, some more than an hour and a half each way to work, and lose out on valuable productive time."

Commuting in and around the Washington, D.C. area has returned to its pre-covid insanity, and I'm sure it's that way in the other big city areas. D.C. and the surrounding counties have intersections that disgrace humanity (I'm lookin' at you, Military Road/Missouri Avenue/Georgia Avenue NW), a bad daily commute.

Commuting impinges on all of the other broken-record debates over telework. Does it make people more productive or less? Does it improve collaboration or kill it? Does it boost morale or crush it?

The answer to all of the above: It depends, and on a million variables. Therefore, agency heads need to make decisions, as O'Malley has. "While the best ideas for improving our operations always come from those on the frontlines, some decisions must ultimately fall to the Commissioner," he stated in his email.

His decision is cut-and-dried in some features, looser and subject to local interpretation in others. Which is how it has to be in an organization with 60,000 people and more than 1,400 offices.

By the way, the government is not the only entity still trying to figure this all out. A Wall Street Journal story the other day detailed how some large companies — United Parcel Service, JPMorgan Chase and Boeing — are trying to get office staffs back five days a week. At UPS, management faces resentment from the warehouse and on-road staff who, of course, cannot telework. Ditto for Boeing, dealing with quality issues at its factories. Its engineers' union tartly asked why they can't work at home if Boeing is willing to outsource the very fuselages of the planes it sells.

The corporate mode, though, has settled on less telework than in the height of the pandemic, but less than five days in the office. Several surveys have also indicated the persistence of telework.

Will remote work reform come next? By remote I mean people who are geographically distant from where they work, beyond commuting distance. Bloomberg reported that IBM, which helped pioneer telework 20 years ago, has told managers they have to report to a customer location or an IBM office three days a week, or leave the company. Remote managers have until August to relocate.

Nearly Useless Factoid

By: [Michele Sandiford](#)

The first operational Social Security Administration headquarters was the Candler Building on Baltimore Harbor.

Source: [Social Security Administration](#)

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