

Plan for a New Future: The Impact of Social Security Reform on People of Color

*Recommendations from the Commission to
Modernize Social Security*

June 20, 2012

National Academy of Social Insurance Policy Forum
“Social Security for Boomers and Beyond” panel

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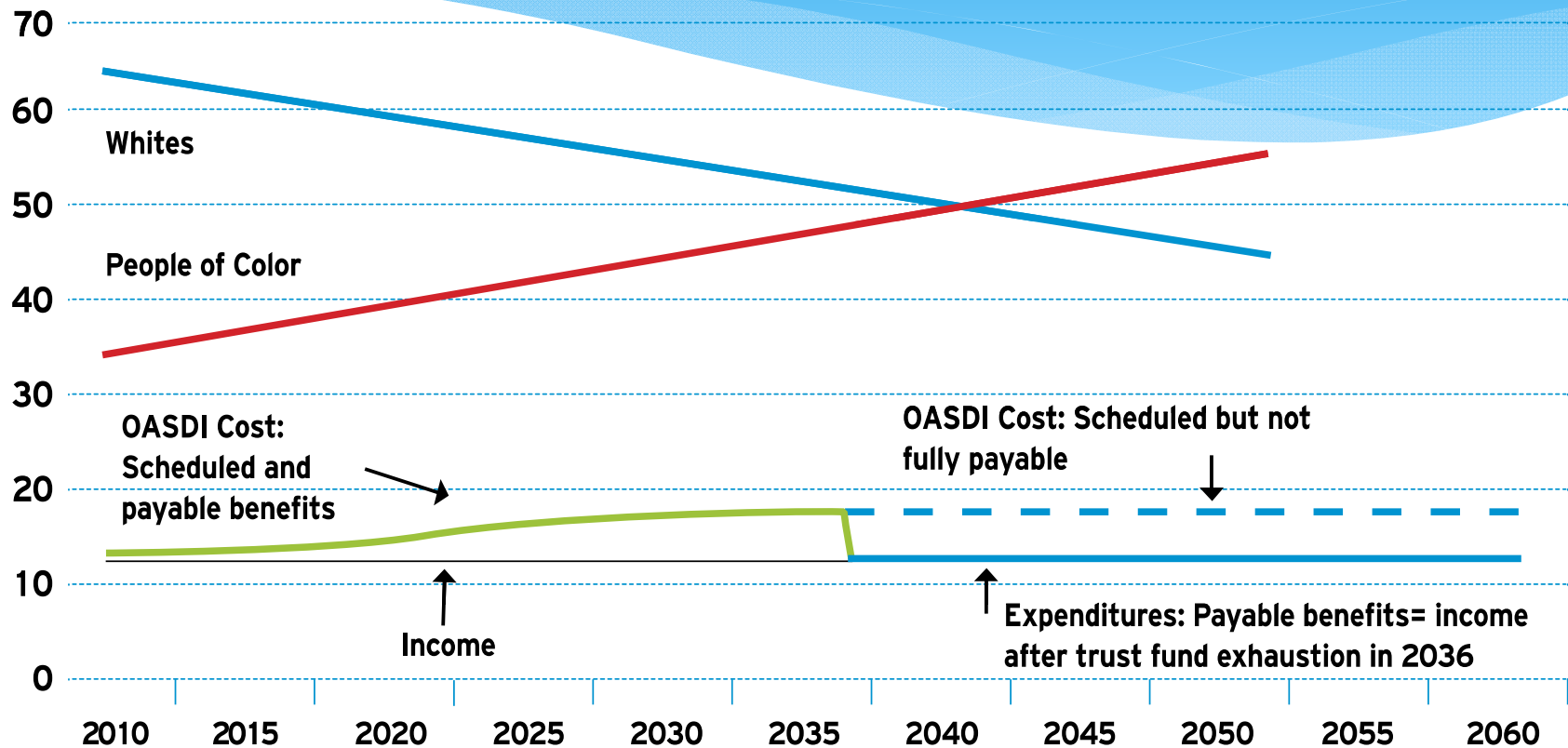
What is the Commission to Modernize Social Security?

- * Convened by Insight Center for Community Economic Development and Global Policy Solutions
- * Experts representing African American, Asian American and Pacific Islander, Latino and Native American communities
- * Charged with identifying proposals that would extend Social Security's long term solvency & modernize benefits to reflect the unique socioeconomic & cultural circumstances facing communities of color

Why the Need to Modernize Social Security?

- * Overall solvency of the program – currently projected to pay full guaranteed benefits through 2033
- * Recent economic instability draws attention to the need for a strong, highly effective social safety net – calls for improved benefits rather than benefit cuts
- * Demographics of US population have changed dramatically since the program was established and will change even more over the next generation

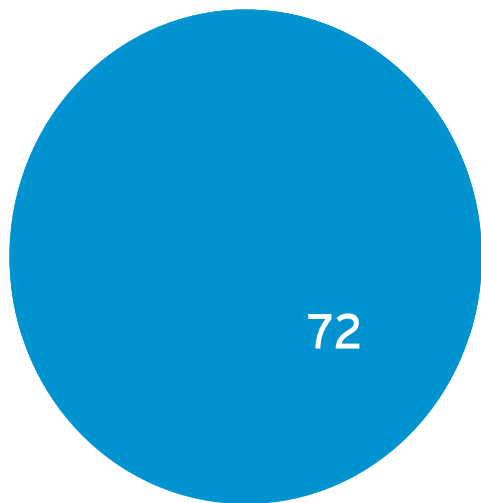
US Population Demographics are Changing



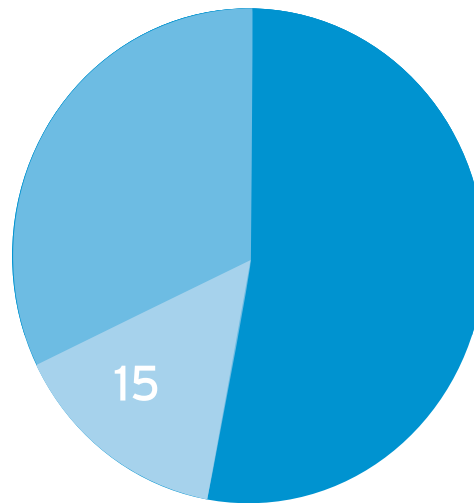
Source: U.S. Census Bureau Population Division. (2008, Aug. 14). Table 6. Percent of the Projected Population by Race and Hispanic Origin for the United States, 2010-2050.
 U.S. Social Security Administration. (2011). Figure II.D.2. OASDI Income, Cost and Expenditures as Percentages of

People of Color Access Social Security Differently than Whites

Retirement
Disability
Survivor



Retirement
Disability
Survivor



Retirement
Disability
Survivor

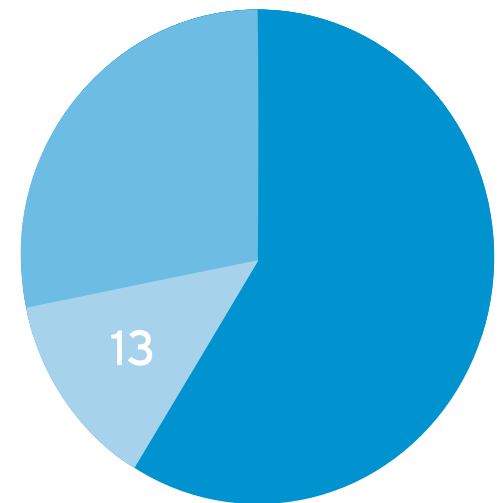


FIGURE 9

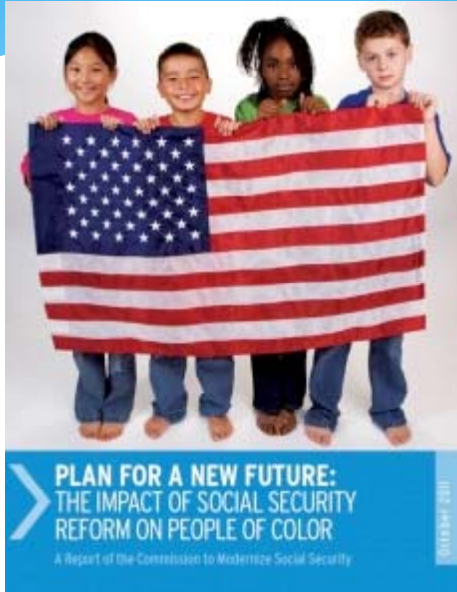
Commission To Modernize Social Security Plan

Revenue Options	Income as % of Taxable Payroll	Adequacy Options	Cost as % of Taxable Payroll
Gradually increase payroll tax by one percent over 20 years	1.39	Increase benefits by a uniform amount at age 85	0.09
Eliminate cap but count earnings towards benefits with flatter formula	2.17	Pay widowed spouse 75% benefit with "average earner" benefit cap	0.06
Treat salary reduction plans like 401(k)s	0.25	Update special minimum benefit to 125% of poverty at full benefit age, wage index	0.13
		Increase benefit by uniform amount equal to 5% of average benefit	0.75
Total Revenue Raised	3.98	TOTAL COST OF BENEFIT IMPROVEMENTS	1.42
Actuarial Deficit	-2.22		
Amount Remaining	1.76	Amount remaining	0.34

Commission to Modernize Social Security – Revised Plan (reflects 2012 projections of actuarial deficit)

REVENUE OPTION	Income as % of taxable payroll	ADEQUACY OPTION	Cost as % of taxable payroll
Gradually increase payroll tax by 1.1 percent over 20 years	1.52	Increase benefits by uniform amount at age 85	0.09
Eliminate cap but count earnings towards benefits with a flatter formula	2.17	Pay widowed spouse 75% benefit with cap at "average earner" benefit	0.06
Cover all new state and local workers	0.17	Provide 5 years of childcare credits at half of average wage	0.24
Treat salary reduction plans like 401(k)s	0.25	Update special minimum benefit to 125% of poverty @full benefit age, wage index	0.13
		Reinstate student benefit	0.07
		Improve benefits by uniform amount equal to 5% of average benefit (c. \$55/month)	0.75
		Administrative fixes	0.08
TOTAL REVENUE RAISED	4.11	TOTAL COST	1.42
75-YEAR SHORTFALL	-2.67		
AMOUNT REMAINING	1.44	AMOUNT REMAINING	0.02

For additional Information



Download the full report, *Plan for a New Future: The Impact of Social Security Reform on People of Color* at www.modernizesocialsecurity.org

The National Urban League has created an educational brochure on *Why Social Security Matters to African Americans* that will be available on June 27 at www.iamempowered.com and www.nul.org

