Social Security: Affordable and Crucial Benefits

Background and Context for 2015 Trustees Report
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• National leader in systems change focusing on the overlap of economic and health-care security for people with disabilities and older adults

• HDA initiative—Our Family Security.com, digital resource for consumers on Social Security disability programs.

• Social Security disability programs are integral part of economic and health security for people with disabilities
Overview of Presentation

• Benefits Are Modest But Crucial
• Benefits Are Already Being Cut Significantly
• Social Security Remains Affordable
• The Social Security Administration Is Efficient
• Americans Value Social Security and Are Willing to Pay More
• Disability Insurance Needs Action Now
Benefits Are Modest, But Crucial

OASI

• Average OASI Benefit: $1265.34/month (May 2015)$^1$

• OASI Benefits lift 22 million people out of poverty
  – 1 million children, 5 million 18-64
  – 9 million women over 65

• Without Social Security, the poverty rate for those aged 65 and over would meet or exceed 40 percent in 39 states$^2$
Benefits Are Modest, But Crucial

SSDI

• Average Social Security Disability Insurance (SSDI) Benefit: $1016.93/month (May 2015)$^3$
  – Half of women and 1/3 of men receive no more than $900/month$^4$
  – ¼ of women benefits < $700, 1 in 10 < $500
  – Benefit averages are lower for people of color$^5$
Benefits Are Modest, But Crucial (SDDI Cont)

• SSDI lifts 3 million out of poverty and lessens poverty for 1.9 million but despite benefits:
  – 47% of beneficiaries ages 31-49
  – 18% of beneficiaries ages 60-64
  – 57% of young unmarried beneficiaries

Have family income below or near the poverty line (less than 125% of poverty)

• SSDI beneficiaries cannot afford any benefit cut
OASI Benefits Majority of Income for Most Beneficiaries

Source: Social Security Administration, Income of the Population 55 or Older, 2012-2014.
SSDI Benefits Majority of Income for Most Beneficiaries

- SSDI benefits account for:
  - Half or more of total income for 47% of beneficiaries
  - 90% or more of income for 20% of beneficiaries

Share of total family Income from DI by Marital status, beneficiaries Ages 31 to 64, 2010\(^9\)
Benefits Are Already Being Cut Significantly

• Based on changes made in 1983 and 1993:
  – Increase retirement age from 65 to 67 (-13.3%)
  – Tax a growing share of benefits (with funds to Social Security and Medicare) (- 9.5%)
  – Delay the cost-of-living adjustment by ½ year (1.4%)

• Total Benefit Reduction: -24.2%
  (Change in net retirement benefits by 2050)
Social Security remains affordable
Social Security Is Efficient

• 99 cents of every dollar goes to beneficiaries

• Less than 1% of total cost goes to administration of the programs$^{10}$
Americans Are Willing To Pay More For Social Security: NASI Survey

Percent Agreeing: *It is critical that we preserve Social Security for future generations, even if it means increasing working Americans' contributions to Social Security taxes.*

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<th>Total</th>
<th>Republican</th>
<th>Democrat</th>
<th>Independent</th>
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<td>82%</td>
<td>74%</td>
<td>88%</td>
<td>83%</td>
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NASI Survey: Market Research

In interactive online exercise, participants considered packages with 12 policy changes:

- **4 tax increases:**
  - Lift the $117,000 cap 2 ways;
  - Raise the 6.2% contribution rate 2 ways

- **4 benefit reductions:**
  - Raise retirement age 2 ways; lower COLA; means test

- **4 benefit increases:**
  - $60 more a month for all; increase COLA; increase benefit for low-paid workers; restore student benefit
NASI Results: More Revenue, Better Benefits, No Benefit Cuts

- Increase contributions in two ways
- Increase benefits in two ways
- Eliminate the long-term shortfall without benefit cuts
  - Preferred by 7 in 10 Americans, across generations and income groups.
SSDI Program Needs Attention Now

• Threat of a 20% benefit cut hurts people with disabilities

• Many revenue based solutions to ensure no benefit cuts to SSDI:
  – Reallocation of the payroll tax rate from OASI – DI Trust Fund – equalize the Trust Funds
  – Combine the Trust Funds
  – Increase overall payroll tax rate
  – Raise or eliminate the cap on income subject to FICA taxes
Reallocation Should Be Done Now

• President Obama’s Proposal in FY2016 Budget and New Report From the White House
  – Reallocation of payroll taxes for 5 years to equalize the two Trust Funds
  – Supported by disability and aging advocates
For More Information

www.hdadvocates.org
www.ourfamilysecurity.com

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  – 9. Favreault et al, IBID 7, Figure 4

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