Context for News from the Social Security Trustees Report

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Vice President for Income Security Policy

July 28, 2014

B-318 Rayburn House Office Building
Overview

- Benefits are modest, yet essential
- Social Security is efficient
- Social Security remains affordable
- Benefits are already being cut more than most people realize
- Americans are willing to pay more, if needed
- What do Americans prefer?
- Disability insurance needs attention
Benefits are modest, yet essential

- Average retiree received $1,296 in January
- Benefits lift 22 million out of poverty:
  - 1 million children; 6 million adults under 65;
  - 15 million seniors
- Main source of income for most seniors
Shares of Income by Source
2012: Couples and Unmarried Persons 65 and Older

Source: Social Security Administration, Income of the Population 55 or Older, 2012-2014.
Social Security is efficient

- Less than 1 penny of every dollar spent is for administration
- The rest goes to beneficiaries
Social Security remains affordable

Social Security as a Percent of the Economy (GDP), 2011-2090

Percent of GDP

2010 2020 2030 2040 2050 2060 2070 2080 2090

50 45 40 35 30 25 20 15 10 5

5.0% 6.2% 6.2%
Benefits are already being cut by laws enacted in 1983 and 1993

<table>
<thead>
<tr>
<th>Benefit Reduction</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Increase retirement age from 65 to 67</td>
<td>-13.3%</td>
</tr>
<tr>
<td>Tax a growing share of benefits (with funds to Social Security and Medicare)</td>
<td>-9.5%</td>
</tr>
<tr>
<td>Delay the cost-of-living adjustment by $\frac{1}{2}$ year</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Total Benefit Reduction:</td>
<td>-24.2%</td>
</tr>
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(Change in net retirement benefits by 2050)
Americans agree they don’t mind paying for Social Security

Percent Agreeing: *I don’t mind paying Social Security taxes because it provides security and stability to millions of retired Americans, the disabled, and children and widowed spouses of deceased workers.*

<table>
<thead>
<tr>
<th>Percent Agreeing</th>
<th>Total</th>
<th>Republican</th>
<th>Democrat</th>
<th>Independent</th>
</tr>
</thead>
<tbody>
<tr>
<td>84%</td>
<td></td>
<td>74%</td>
<td>91%</td>
<td>86%</td>
</tr>
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Bar chart showing the percentage of agreement for different groups.
Percent agreeing to have workers pay more, if needed

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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<tr>
<td>Percent Agreeing</td>
<td>82%</td>
<td>74%</td>
<td>88%</td>
<td>83%</td>
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</table>
NASI study used market research to learn what changes Americans prefer

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
Respondents’ preferred Social Security package would:

- 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.
Disability Insurance (DI) is essential protection

- Insures workers and families for wage loss due to career-ending disability
- Average disabled worker benefit is $1,246 a month (Jan. 2014)
- Workers and families rely heavily on it

Action needed to preserve benefits:
- Adjust DI contribution rate, or rebalance OASI and DI funds
- Rebalance has been done many times without controversy
For further information:

National Academy of Social Insurance

- Website: www.nasi.org
- Telephone: 202-452-8097

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