

Keeping Social Security Secure

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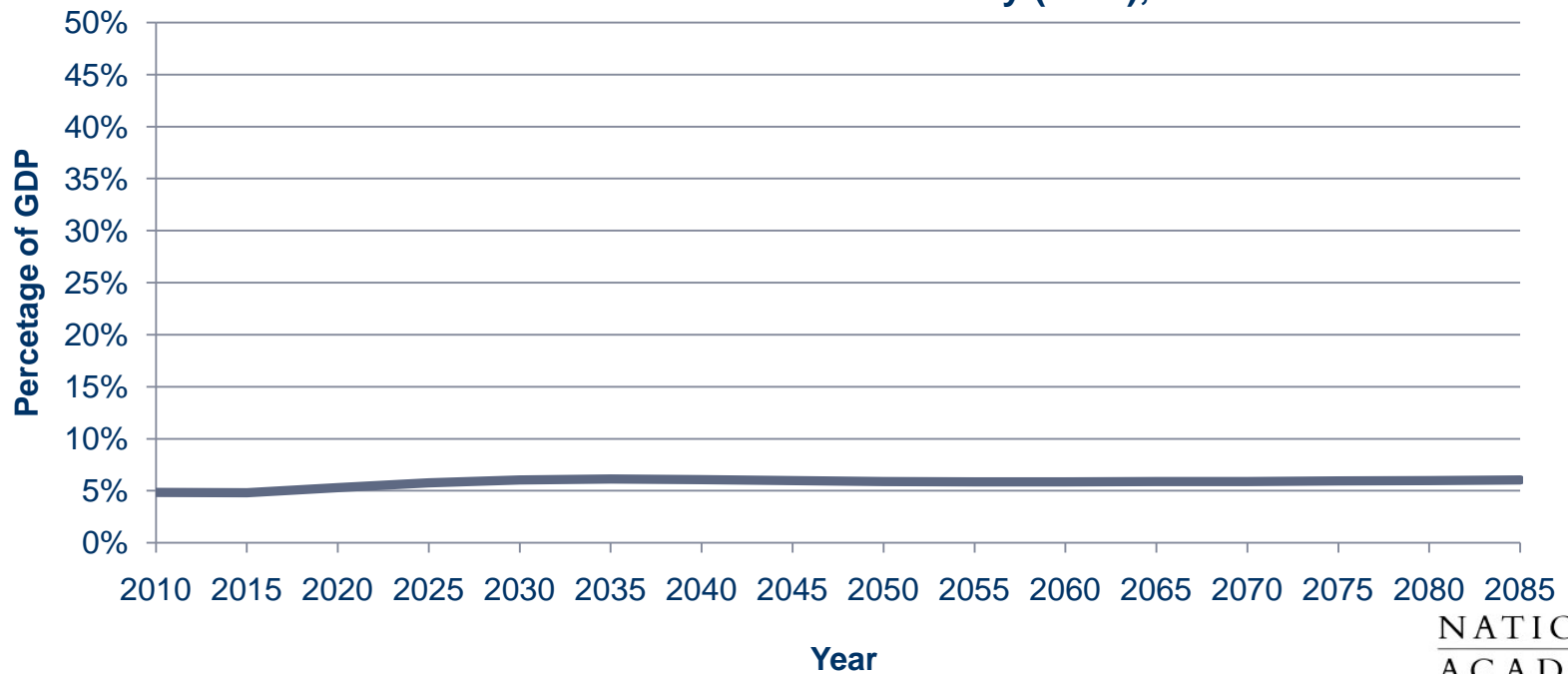
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Questions

- Can we afford Social Security?
- Should we be concerned about benefit adequacy?
- How might we improve adequacy?
- How could we pay for it?

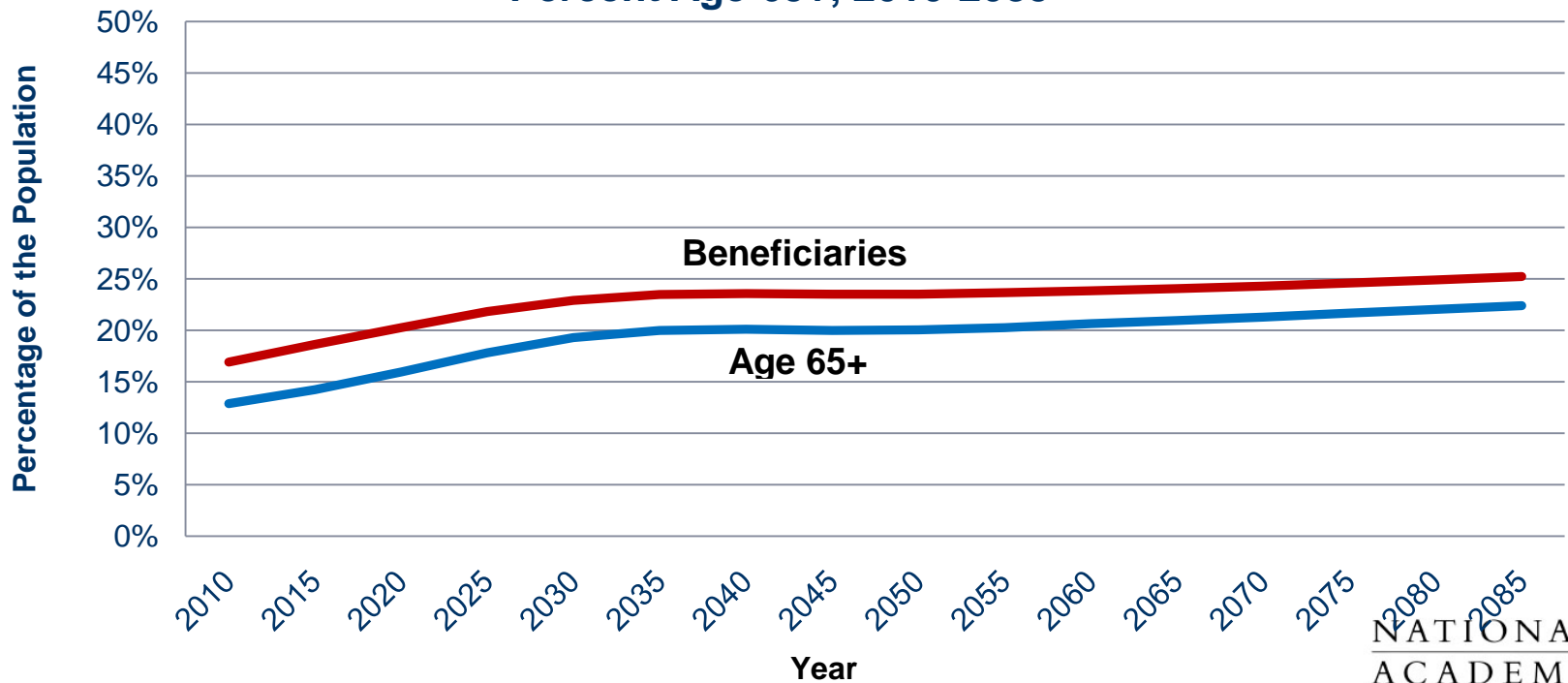
Can We Afford Social Security?

Social Security Remains Affordable
Benefits as a Percent of the Economy (GDP), 2010-2085



More of Us Will Get Benefits

Percent of the Population Receiving SS and Percent Age 65+, 2010-2085



Why Consider Social Security Benefit Adequacy?

- Beneficiaries depend on it
- Growing risks in other retirement supports
 - losses in jobs, housing, pensions, and savings
- Only Social Security has held its value
- Yet benefits are modest, inadequate for some
 - average benefit is 1/3 of the average wage
 - less than the annual minimum wage (\$15,080)

Future Monthly Benefits Will Be Lower

- Raising the full retirement age lowers monthly benefits
- Rising Medicare premiums will take a bigger bite

Fixing Social Security: Adequate Benefits, Adequate Financing

- About 30 ways to balance finances
- About a dozen ways to improve benefits

Benefit Adequacy Could Target:

- The oldest old—who are at great risk of outliving their resources
- Widow(er)s from low-income couples
- Long-service, low paid workers
- Children of deceased or disabled workers

How Can We Pay for It?

Options With Precedent in Congressional Intent:

- Gradually raise the cap to cover 90% of wages
- Treat all salary reduction plans like 401(k)s
- Create a 75-year financing plan

Raise the Tax Cap

- Currently \$106,800
- Intent in 1977 law to cover 90% of wages
- About 6% of workers earn more than the cap
- To raise the cap to 90% of wages over 10 years would reduce shortfall by 39%

Treat All Salary Reduction Plans Like 401(k)s

- Congressional action in 1983: Count worker contributions to 401(k)s in FICA base (though not subject to income taxes)
- Treat similar plans (for dependent care, medical spending, commuting costs) like 401(k)s
- Would reduce shortfall by about 13%

Create a 75-Year Financing Plan

- Social Security has often had FICA increases scheduled in the future
- Policymakers could act now to schedule them 10, 40, or 50 years out
- If not needed then, future policymakers could undo them
- EITC adjustment could offset the increase for low-paid workers

Americans Say They Don't Mind Paying for Social Security...

...because they value it...

For themselves (72%)

For the support it gives their aging relatives
(75%)

For the security and stability it provides to
millions of others (87%)

*NASI/Rockefeller poll findings: Economic Crisis Fuels Support for
Social Security.*

Regardless of Party Affiliation, Americans Agree:

“I don’t mind paying for Social Security because of the security and stability it provides to millions of retired Americans, disabled individuals, and children and widowed spouses of deceased workers.”

87% of all Americans

81% of Republicans

85% of Independents

93% of Democrats

Targeted Adequacy Reforms and a 75-Year Revenue Plan Could...

- Balance Social Security for 75 years and beyond
- Assure Americans they can count on benefits
- Show that Washington is listening