Social Security

Benefits, Finances, and Policy Options

A Primer

2013

NATIONAL ACADEMY OF·SOCIAL INSURANCE

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The National Academy of Social Insurance (NASI) is a nonprofit, nonpartisan organization made up of the nation's leading experts on social insurance. Its mission is to advance solutions to challenges facing the nation by increasing public understanding of how social insurance contributes to economic security. Social insurance encompasses broad-based systems for insuring workers and their families against economic insecurity caused by loss of income from work and the cost of health care. NASI's scope covers social insurance such as Social Security, Medicare, workers' compensation, and unemployment insurance, and related public assistance and private employee benefits.

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The purpose of this primer is to provide basic background information about Social Security: its benefits, financing, affordability, and policy options to strengthen it. The primer is formatted as a PowerPoint presentation with accompanying talking points, and it is intended to be a useful resource that can be adapted to fit a variety of purposes. Readers may download it in PowerPoint form at www.nasi.org in order to sort the slides in a different order, or pick and choose a subset of slides to use.

Data in the primer reflect estimates from the 2013 Trustees Report.

Virginia Reno, Vice President for Income Security Policy at the National Academy of Social Insurance, and Elisa Walker, Income Security Policy Associate, prepared this primer.

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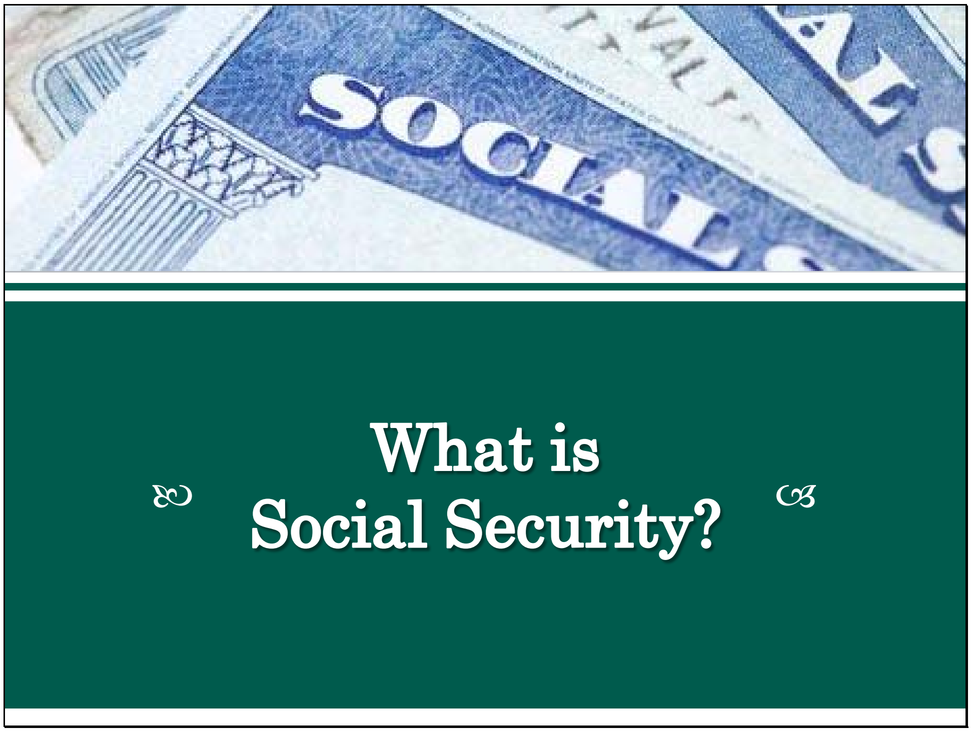
SOCIAL SECURITY BENEFITS, FINANCES, AND POLICY OPTIONS: *A Primer*

Virginia P. Reno and Elisa A. Walker

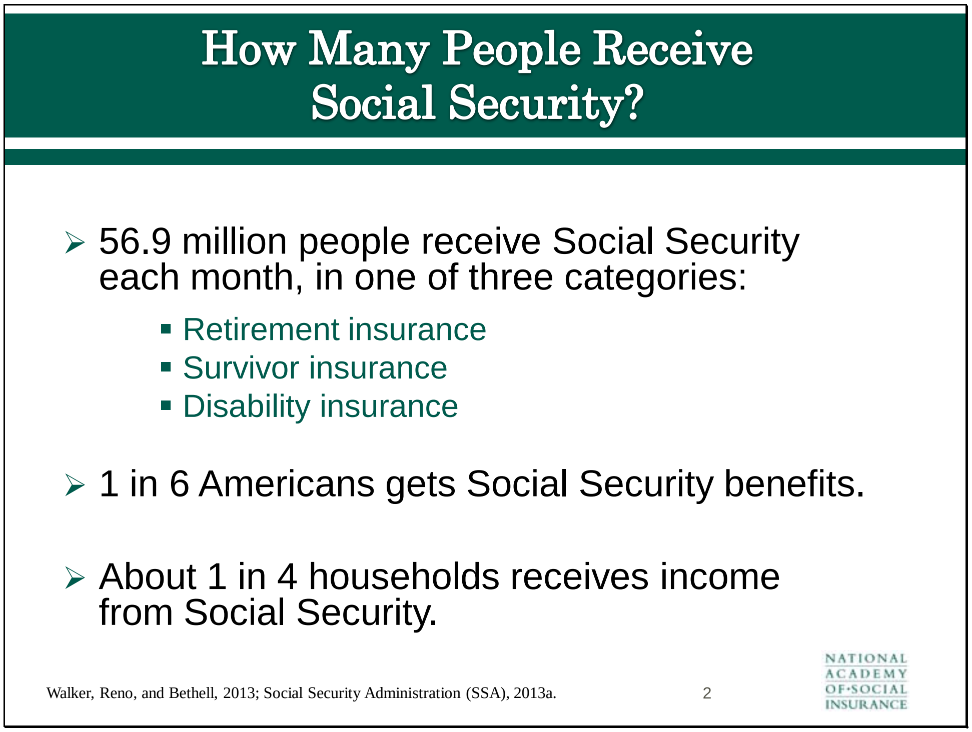
June 2013

Table of Contents



What is the purpose of Social Security? What does it do?

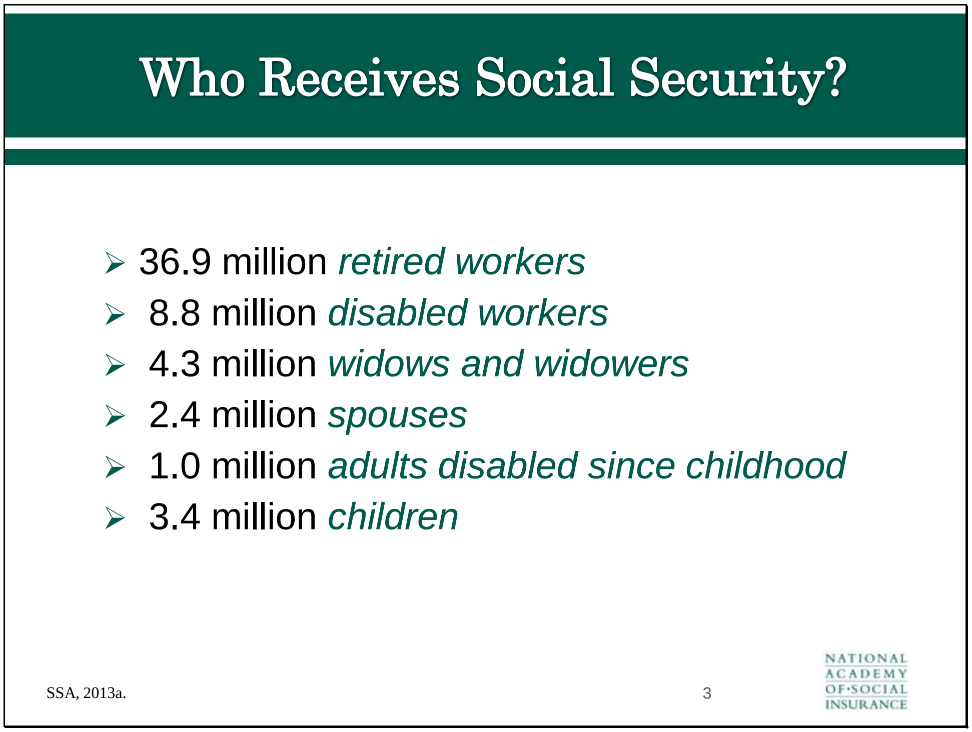
Social Security is a social insurance program. Workers pay in while they are employed and employers pay matching contributions. Then Social Security's guaranteed benefits are available to support workers and their families in retirement, or when they lose their livelihood due to career-ending disability or the death of a family worker. By covering almost all workers and their families, Social Security pools risks broadly.



How many Americans receive Social Security? About 57 million people – or one in six Americans – get monthly benefits from Social Security. In one in four households, someone receives Social Security.

Social Security beneficiaries fall into three categories. They receive either *retirement benefits, survivor benefits,* or *disability benefits*.

The recipients could be a retired couple, a grandmother who looks after her grandchildren while her son and daughter-in-law are at work, a 55-year-old meatpacker disabled by severe arthritis, or a 5th grader and 3rd grader who became entitled to survivor benefits after their father died in military service.



In all, about 37 million retired workers receive Social Security benefits, as do about 9 million disabled workers, 4 million widows, 2 million spouses, and 3 million children under age 18 (or under age 19 and still in high school). About 1 million adults disabled since childhood also receive regular benefits from Social Security when a parent has died, become disabled, or retired.

(Data as of January 2013.)

How Much Does Social Security Pay?
(Jan. 2013)

By Beneficiary Type:	Average Monthly Benefit	Average Yearly Benefit
Retired workers	$1,264	$15,168
Disabled workers	$1,130	$13,560
Widows or widowers (60 or older)	$1,217	$14,604
By Family Type:		
Retired worker and spouse (62 or older)	$2,055	$24,660
Widowed mother or father (under 60) and two children	$2,536	$30,432
Disabled worker and one or more children	$1,735	$20,820

SSA, 2013a; SSA, 2013b; U.S. Department of Health and Human Services, 2013. 4

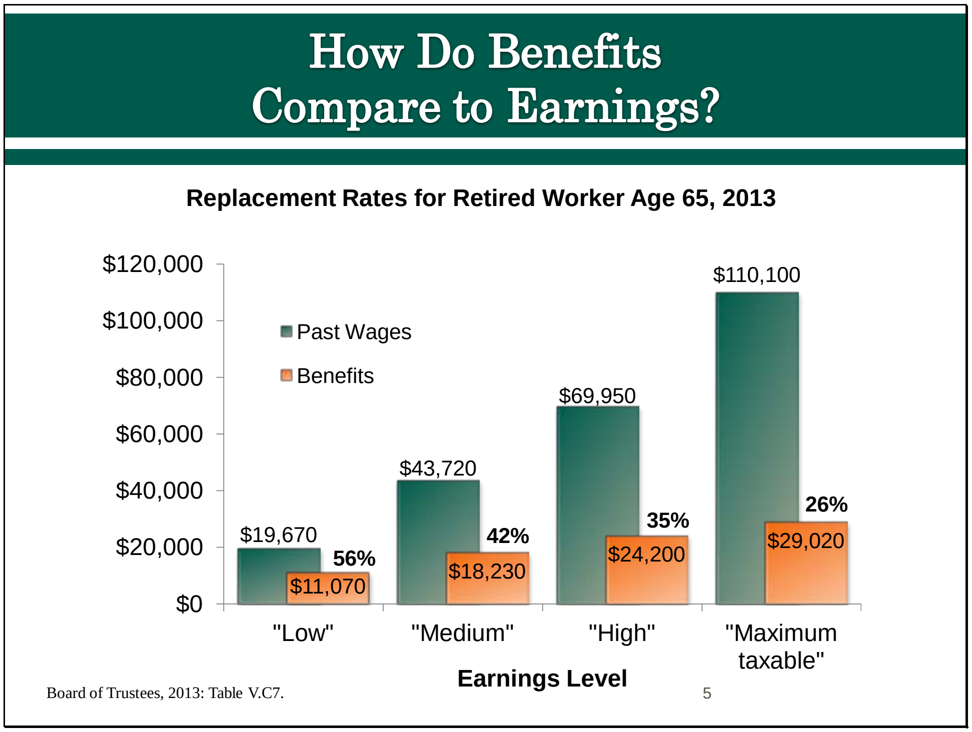
Social Security provides a foundation of retirement income that retirees supplement with pensions, savings, and earnings. Benefits alone do not provide a comfortable level of living. The average benefit for retired workers in January 2013 was $1,264 a month, or about $15,168 a year.

The average is somewhat lower for widowed spouses age 60 and older: $1,217 a month or about $14,604 a year.

The average benefit for disabled workers is $1,130, or about $13,560 a year. A disabled worker with one or more children received, on average, $1,735 a month or about $20,820 a year.

For comparison, the 2013 federal poverty guideline is $19,530 annually for a family of three, and $23,550 for a family of four.

Each year, Social Security benefits are adjusted to keep up with the cost of living. A 1.7 percent cost-of-living adjustment (COLA) took effect for December 2012 with the checks paid in January 2013.



The most common way to measure income during retirement is to compare it to the same person's income *before* retirement. The resulting "replacement rate" shows what percentage of pre-retirement earnings is replaced by retirement benefits.

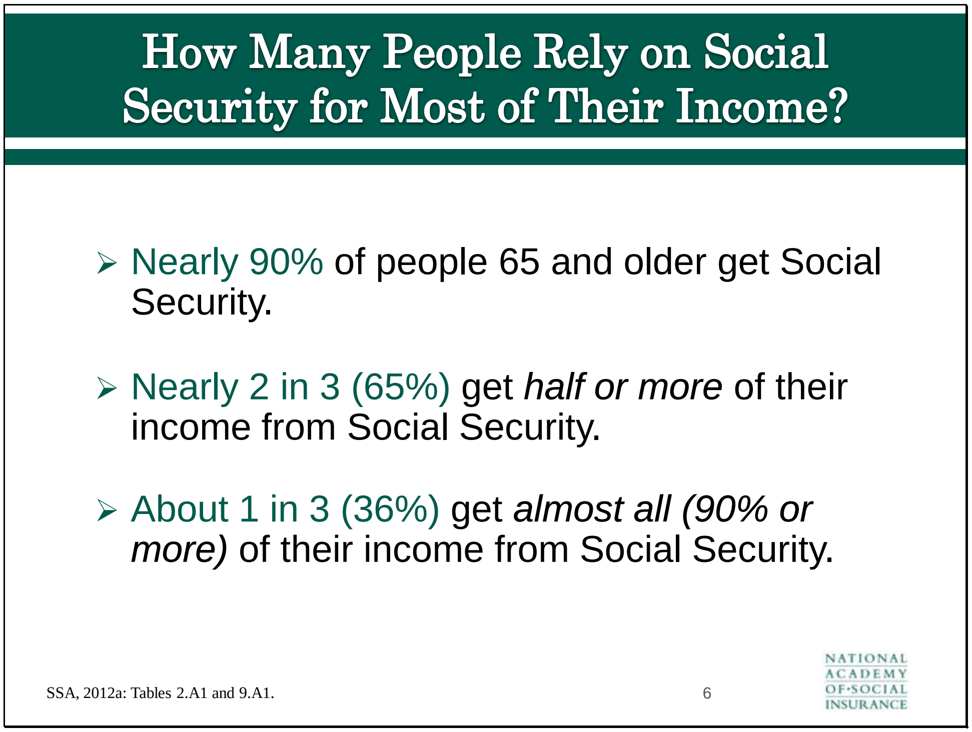
This chart shows how Social Security benefits compare to a retiree's past earnings for a "low," "medium," "high," and "maximum taxable" earner. The short bars are the benefits that a retiree would receive at age 65. The tall bars represent the retiree's typical (or average indexed) lifetime earnings while working. Social Security benefits replace a larger share of past earnings for lower earners. While higher earners receive larger benefit checks, those checks represent a smaller fraction of what they had been making.

For example, a 65-year-old who retired in 2013 with a lifetime of "medium" earnings (about $43,720 in 2012) would receive about $18,230 a year, which would replace about 42 percent of past earnings.

A "low" earner who made about $19,670 in 2012 would receive about $11,070, which would replace about 56 percent of prior earnings. A worker who always earned the "maximum" taxable amount ($110,100 in 2012) would get benefits that replace about 26 percent of prior earnings.

These benefits are for workers who claim Social Security at age 65. Workers who take benefits at 62 (the earliest eligibility age) would receive lower benefits because they began receiving benefits early.

For more details on replacement rates, see page 11.



Social Security benefits are relatively modest both in dollar amounts and in relation to retirees' prior earnings. Yet the benefits are critically important to the families that receive them.

Nearly 90 percent of married couples and unmarried persons age 65 and older receive Social Security. It is the major source of income for most of those beneficiaries.

Nearly two in three of those beneficiaries (65 percent) rely on Social Security for half or more of their total income from all sources.

About one in three elderly beneficiaries get almost all (90 percent or more) of their income from Social Security.

Reliance on Social Security By Race and Gender

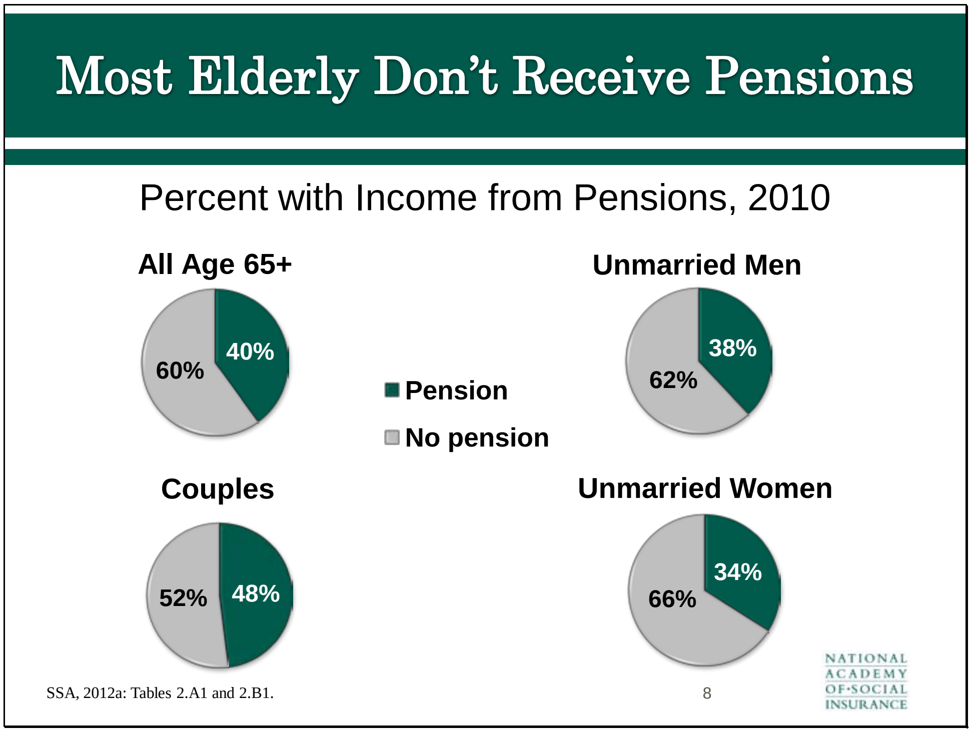
Percent of beneficiaries age 65 and older whose Social Security benefits make up:

By Race:	***Half or more*** **of their income**	***90% or more*** **of their income**
White	65%	35%
Black	74%	49%
Asian	65%	42%
Hispanic	77%	55%
By Gender:		
Married couples	53%	23%
Unmarried women	77%	49%
Unmarried men	67%	40%

SSA, 2012a: Tables 9.A2 and 9.A2, and unpublished SSA data.

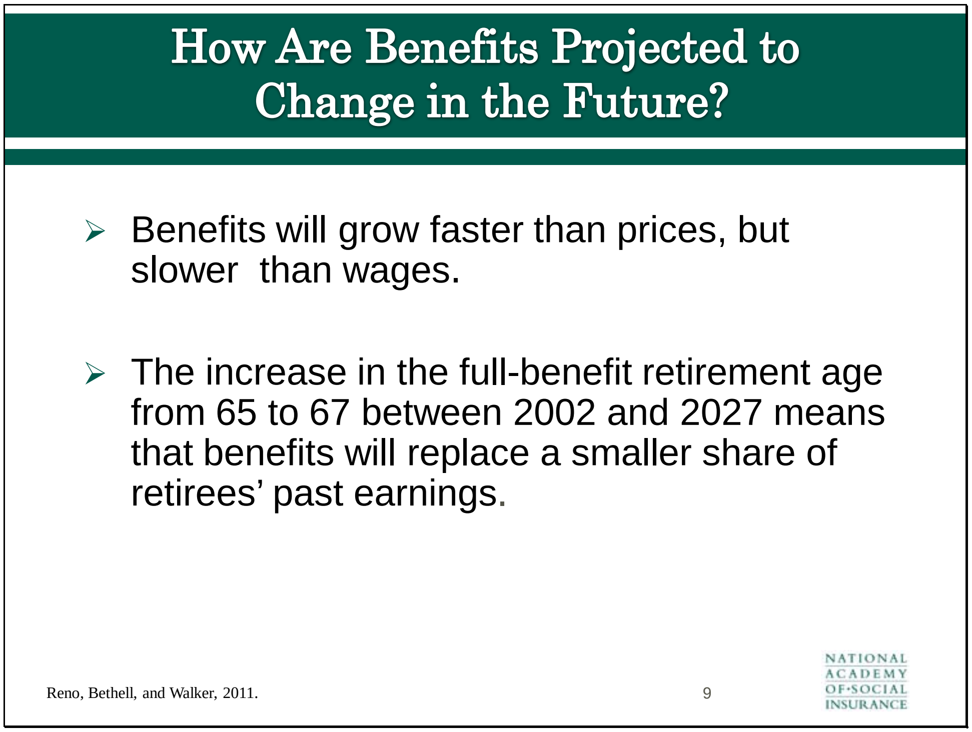
7

Social Security is particularly important to communities of color and to unmarried women (who are either widowed, divorced, or never married). Seniors in those groups often rely more heavily on their benefits.

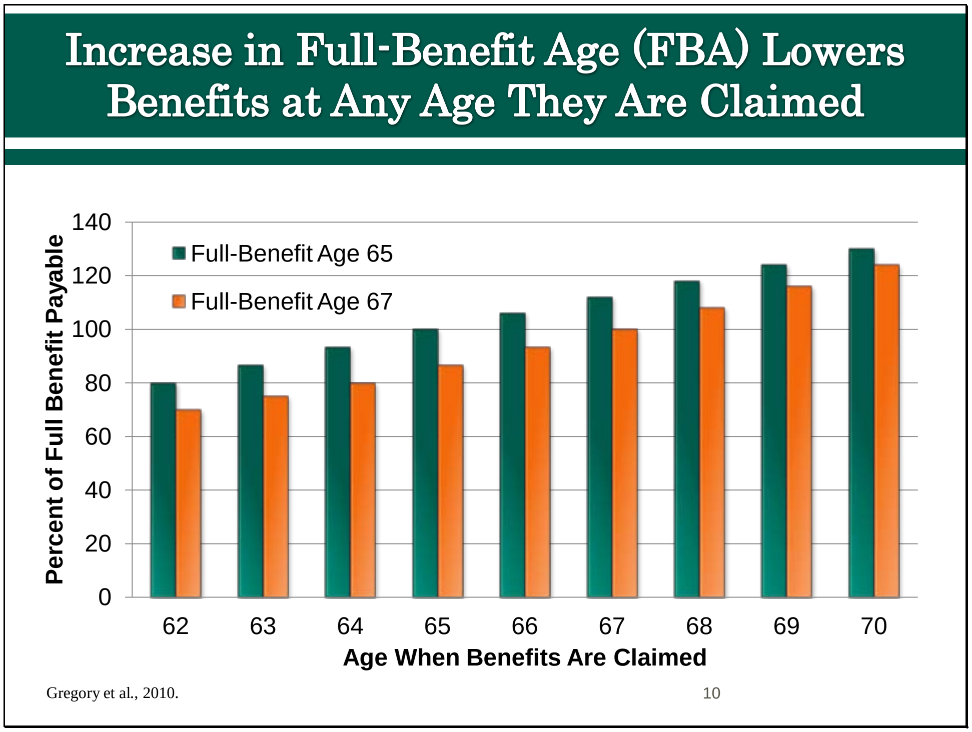


One reason that Social Security is such a large portion of income is that most Americans age 65 and older do not receive income from pensions, either from private employment or from jobs in federal, state or local government. Of couples age 65 and older, just under half (48 percent) have a pension from the husband’s or wife’s work, or both. The unmarried are less likely to have pensions. About 34 percent of unmarried women and 38 percent of unmarried men receive pensions. Combining couples and the unmarried together, the pension receipt rate is 40 percent. These numbers are declining and are projected to be considerably lower in the future.

For those who do receive pension income, the pension amounts typically do not keep up with price growth after retirement. Social Security benefits, in contrast, have automatic cost-of-living adjustments.



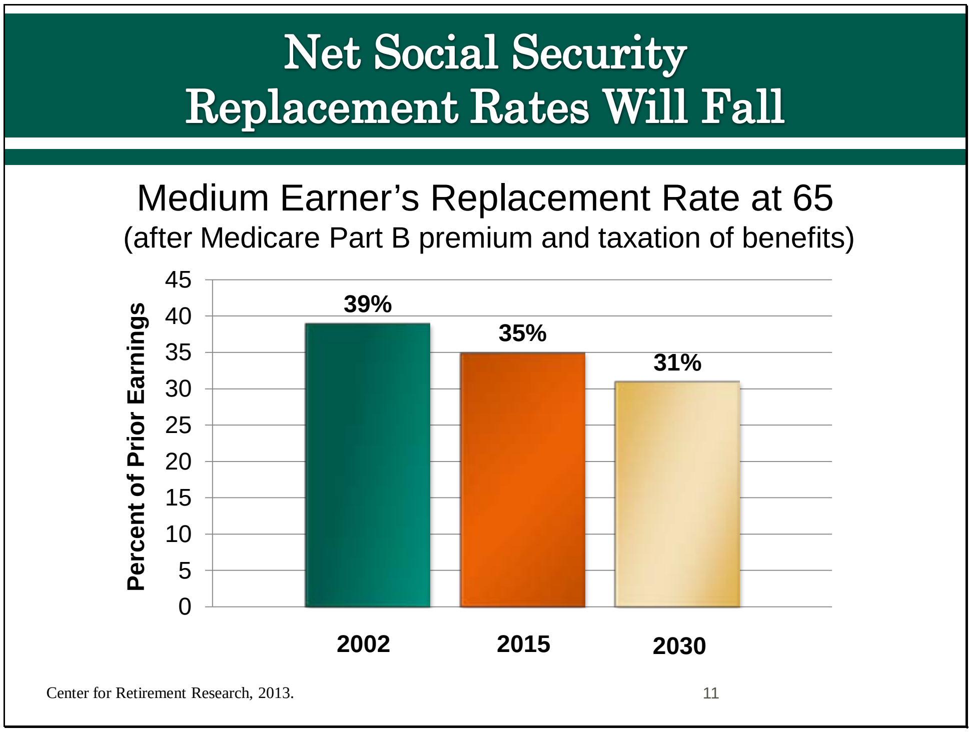
Under current law, benefits for new retirees are scheduled to rise with wage levels. But in coming years benefits will grow more slowly than wages because the 1983 law that called for increasing the full-benefit age for retirement benefits from 65 to 67 is phasing in. This change lowers benefits across the board relative to what they would have been without the change, as the following chart shows.



When the full-benefit age was 65, benefits claimed at age 62 were reduced to 80 percent of the full amount; when the full-benefit age reaches 67, benefits claimed at 62 will be reduced to 70 percent, while benefits taken at age 65 will be reduced to 86.7 percent.

When the full-benefit age is 67, benefits claimed at ages 62-66 will be about 12-14 percent lower than they would have been if the full-benefit age had remained at 65. Similarly, benefits claimed at older ages will also be lower than they would have been without the increase in the full-benefit age.

Simply put, increasing the full-benefit age by one year represents a 5-7 percent benefit cut for all retired worker beneficiaries.



The increase in the full-benefit retirement age – together with rising out-of-pocket payments for Medicare premiums and a rising share of benefits subject to income taxes – will cause net replacement rates from Social Security to fall from about 39 percent in 2002 to 31 percent in 2030.

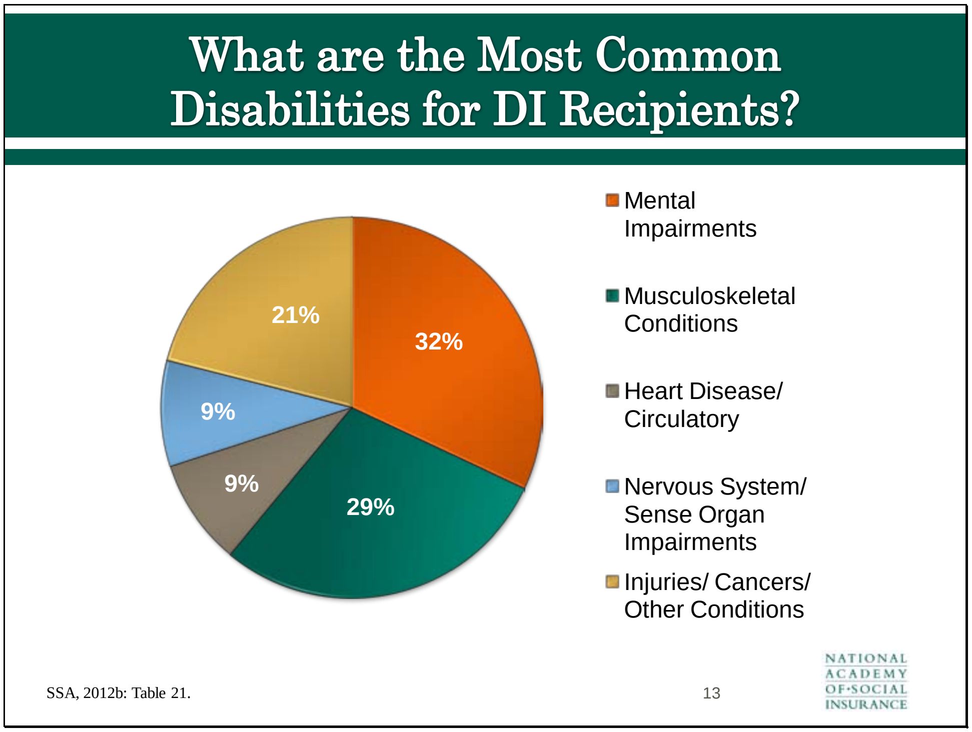
A medium earner who retired at age 65 in 2002 received a benefit equal to about 39 percent of prior earnings after deducting the premium for Medicare Part B (the part of Medicare that pays for outpatient services).

As health care costs continue to outpace wage growth, those premiums will eat further into future retirees' Social Security checks. In addition, higher earners currently pay income taxes on part of their Social Security benefits; those thresholds are not indexed for inflation, so over time more people will be required to pay these taxes. (See page 20 for more on the taxation of Social Security benefits.)

By 2015, the net replacement rate for a medium earner at 65 will be about 35 percent of prior earnings. By 2030, the net rate will have declined to about 31 percent – fully one-fifth below the rate in 2002. This decline is the result of the scheduled increase in the Social Security full-benefit age to 67; steeper Medicare premiums as health care costs continue to climb; and higher income tax payments on benefits.

Since 1957, the Social Security program has provided cash benefits to people with disabilities. Social Security disability insurance (DI) pays monthly benefits to workers who are no longer able to work due to a significant illness or impairment that is expected to last at least a year or to result in death within a year. It is part of the Social Security program that pays retirement benefits to the vast majority of older Americans.

Benefits are based on the disabled worker's past earnings and are paid to the disabled worker and to his or her dependent family members. To be eligible, a disabled worker must have worked in jobs covered by Social Security. Individuals who are receiving Social Security DI benefits become eligible for Medicare after receiving DI for two years.



Many beneficiaries have multiple conditions. Of the nearly 9 million individuals receiving disabled worker benefits at the end of 2011, 32 percent had mental impairments as the main disabling condition, or primary diagnosis. They include four percent with intellectual disabilities and 28 percent with other mental disorders. Musculoskeletal conditions – such as arthritis, back injuries and other disorders of the skeleton and connective tissues – were the main condition for 29 percent of the disabled workers. These conditions were more common among beneficiaries over the age of 50. About nine percent had heart disease or other conditions of the circulatory system as their primary diagnosis. Another nine percent had impairments of the nervous system and sense organs. The remaining 21 percent includes those with injuries, cancers, infectious diseases, metabolic and endocrine diseases, such as diabetes, diseases of the respiratory system, and diseases of other body systems.

Attributes of Disabled-Worker Beneficiaries

- About 31% of disabled workers have incomes below 125 percent of the poverty threshold.
- Disabled worker beneficiaries are more likely than other adults to be:
  - Older (the average age of disabled worker beneficiaries is 53, and 7 in 10 are over 50).
  - Black or Hispanic.
  - Lower educational attainment (62% have a high school diploma or less; nearly 1 in 4 did not finish high school).

DeCesaro and Hemmeter, 2008; SSA, 2012b. 14

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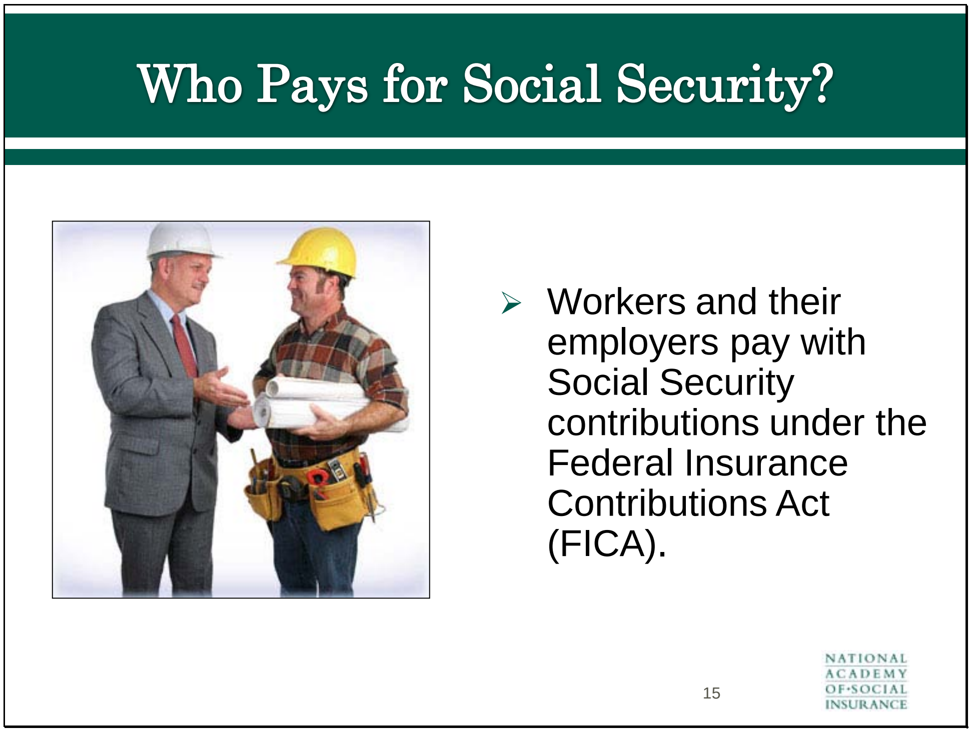
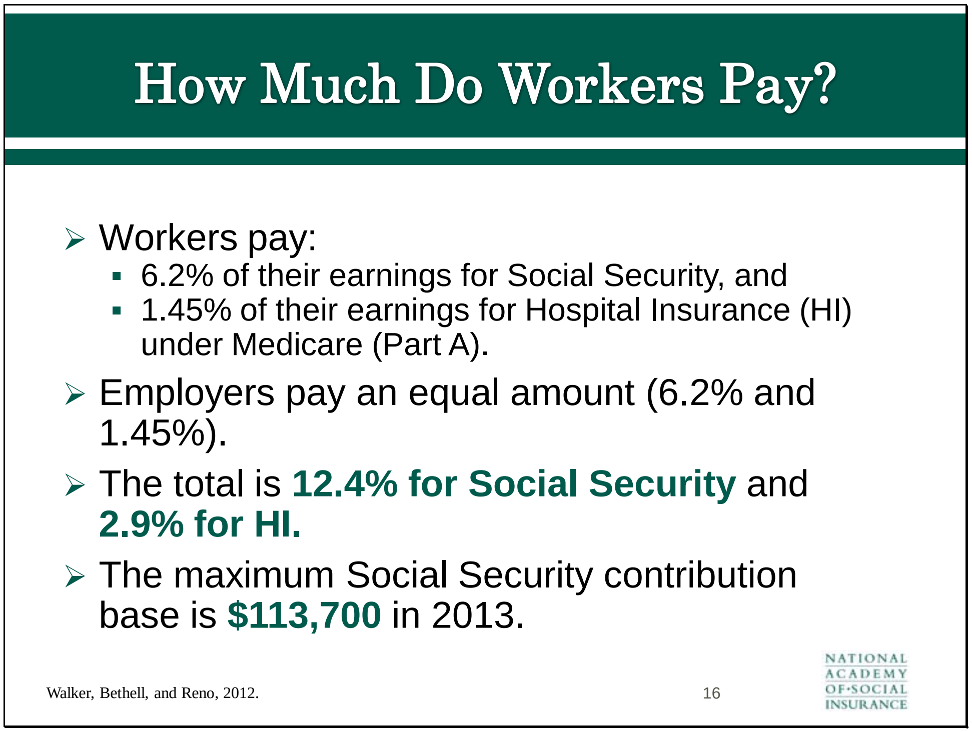
A typical disabled worker might be a 55-year-old meatpacker disabled by severe arthritis.

Even with their Social Security disability benefits, more than 3 in 10 disabled workers have family incomes below 125% of the federal poverty line.



We’ve looked at who gets Social Security and how much they receive. Now we look at who pays.

Workers and their employers pay for Social Security through dedicated Social Security contributions.



Workers normally pay 6.2 percent of their earnings for Social Security and 1.45 percent of their earnings for Hospital Insurance under Medicare. Employers pay an equal amount. So the total is 12.4 percent for Social Security and 2.9 percent for Medicare; altogether, 15.3 percent. Social Security contributions are paid on earnings only up to a cap: $113,700 in 2013. The cap rises with increases in average wages. Medicare taxes are assessed on total wages, without a cap.

In 2011 and 2012, the premiums that workers pay for Social Security protection were temporarily reduced from 6.2 percent to 4.2 percent. Employers continued to pay the 6.2 percent rate. During this “payroll tax holiday,” the lost revenue to the Social Security program – $103 billion in 2011, and $114 billion in 2012 – was reimbursed from the government’s general fund.

About 6 percent of all workers earn more than the Social Security tax cap. The self-employed pay both the employee and employer share of the contribution. They get a deduction in their personal income taxes for the “employer” half of the total amount. No future increases in the tax rate are scheduled.

Upper-income Social Security beneficiaries pay income taxes on part of their Social Security benefits, and some of this income-tax revenue goes back to the Social Security trust funds.

Where Does the Money Go?

- It is credited to the Social Security trust funds. Projections of income and outgo of the trust funds are made by the Office of the Chief Actuary of the Social Security Administration.

Board of Trustees, 2013.

17

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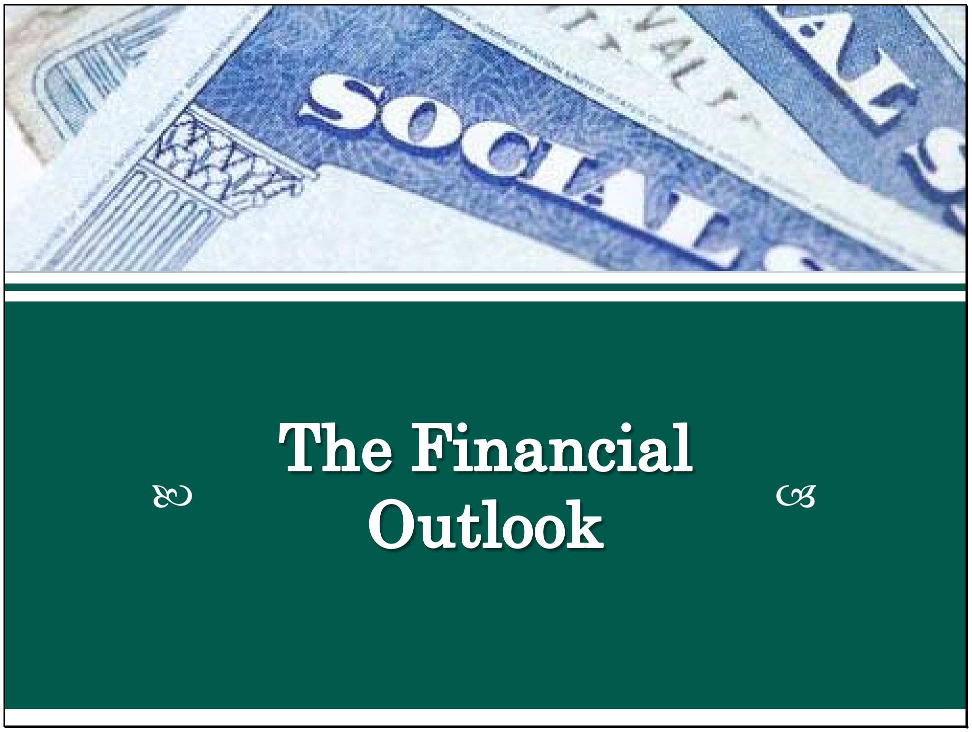
Where does the money go?

The Social Security contributions (taxes) that workers and employers pay are credited to the Social Security trust funds.

A Board of Trustees oversees the trust funds. It is made up of the Secretary of the Treasury, who is the managing Trustee, the Secretaries of Labor and of Health and Human Services, and the Commissioner of Social Security. In addition, two public trustees who are experts in Social Security and come from different political parties serve on the Board.

The Office of the Chief Actuary of the Social Security Administration makes projections of Social Security finances that are used by the trustees in their annual report to Congress.


The Financial Outlook

2012 Finances

Trust fund income =	$840.2 billion (mostly contributions)
Trust fund outgo =	$785.8 billion (mostly benefits)
Surplus =	**$54.4 billion**

- By law, surpluses are invested in U.S. Treasury securities and earn interest that goes to the trust funds.

SSA, 2013c; Board of Trustees, 2013. 19

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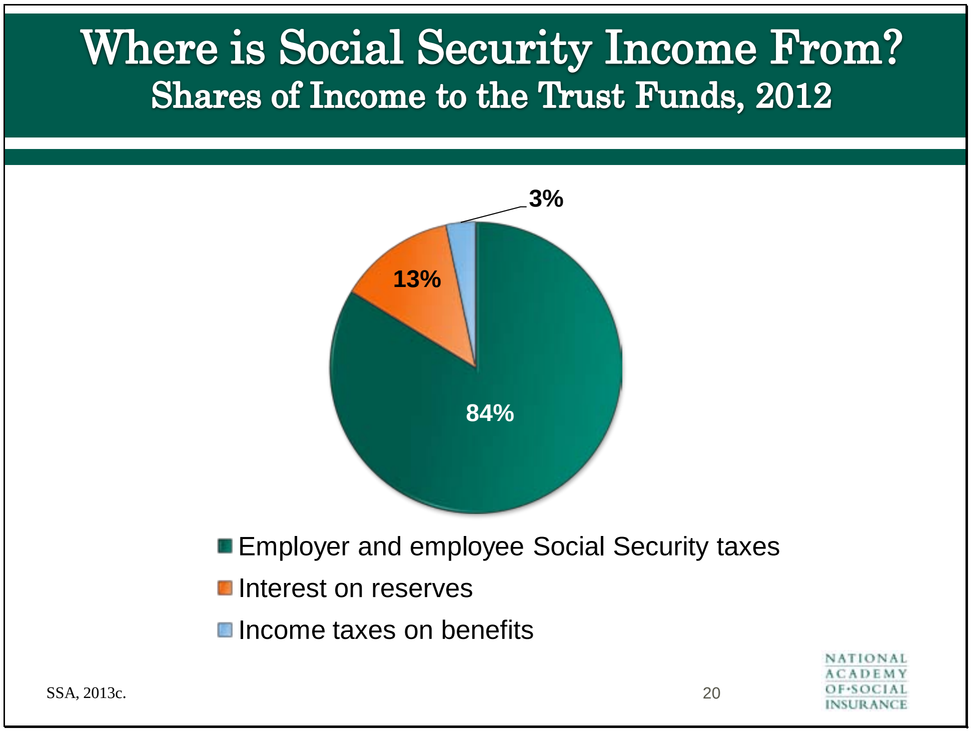
In the near term Social Security is taking in more in revenues and interest than it is paying out in benefits.

In 2012, income to the trust funds (mainly from Social Security contributions, plus reimbursement funds, interest, and taxation of benefits) was $840 billion, while outgo (mainly benefit payments) was $786 billion, leaving a surplus of $54 billion.

These surpluses, by law, are invested in U.S. Treasury securities and earn interest that goes to the trust funds.

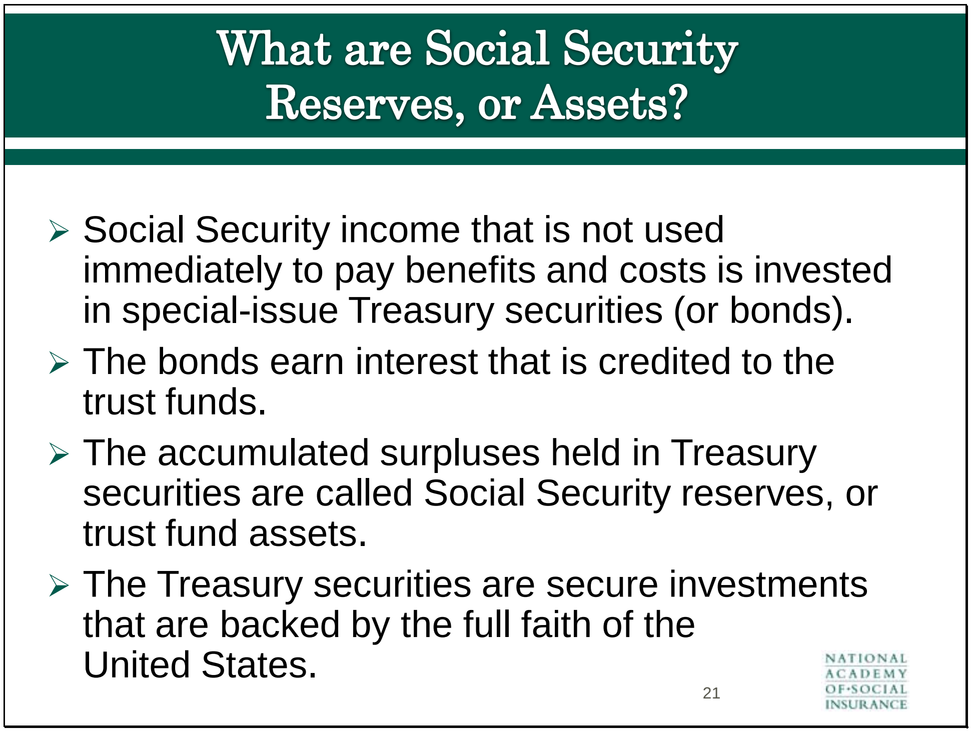
The outgo from the Social Security trust funds covers administrative expenses of the Social Security program, as well as benefit payments. Administrative costs are about 1 percent of total outgo.



Where does the Social Security trust fund money come from?

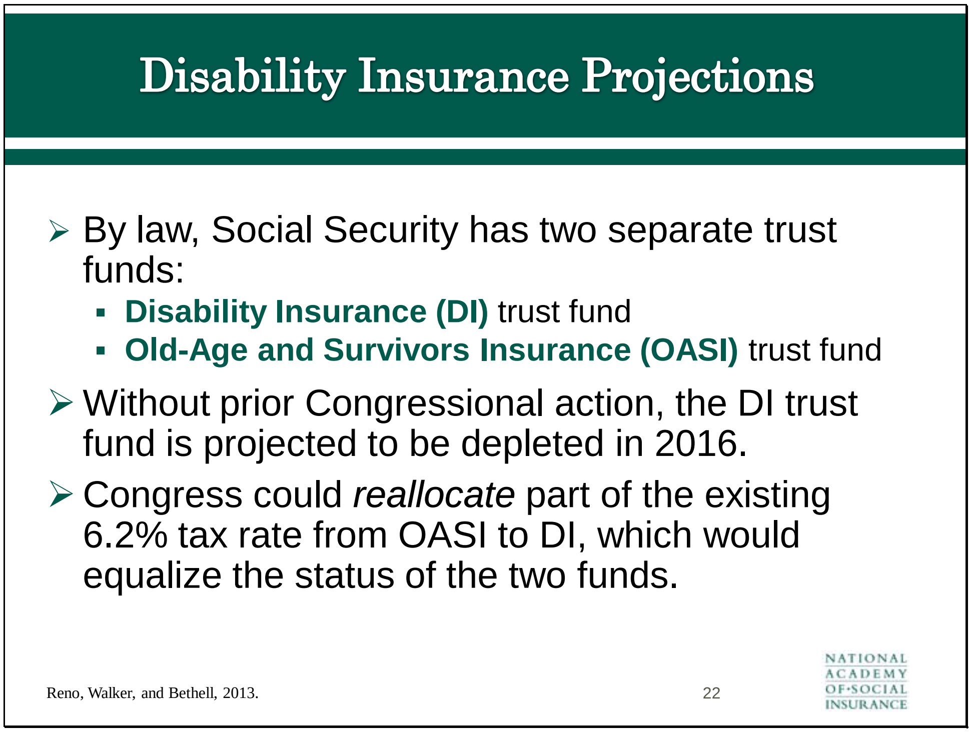
Social Security contributions from workers and employers made up about 84 percent of the trust funds' income in 2012. Part of that amount was reimbursement from general revenues for the payroll tax holiday, which reduced workers' contributions. (See page 16 for more on the payroll tax holiday.)

About 13 percent of the program's income came from interest on Treasury securities held by the trust funds, and income taxes that some beneficiaries pay on their benefits accounted for the remaining 3 percent of income. (Part of Social Security benefit income is subject to federal income taxes for single beneficiaries with countable income over $25,000 and for couples with such income over $32,000. Countable income includes half of Social Security benefits plus all of most other sources of income.)



Surpluses from the Social Security system are invested in special-issue Treasury securities, and are called Social Security reserves or trust fund assets. The securities also earn interest, which is credited back into the trust funds.

The Treasury securities that make up the trust funds are secure investments, backed by the full faith of the United States.



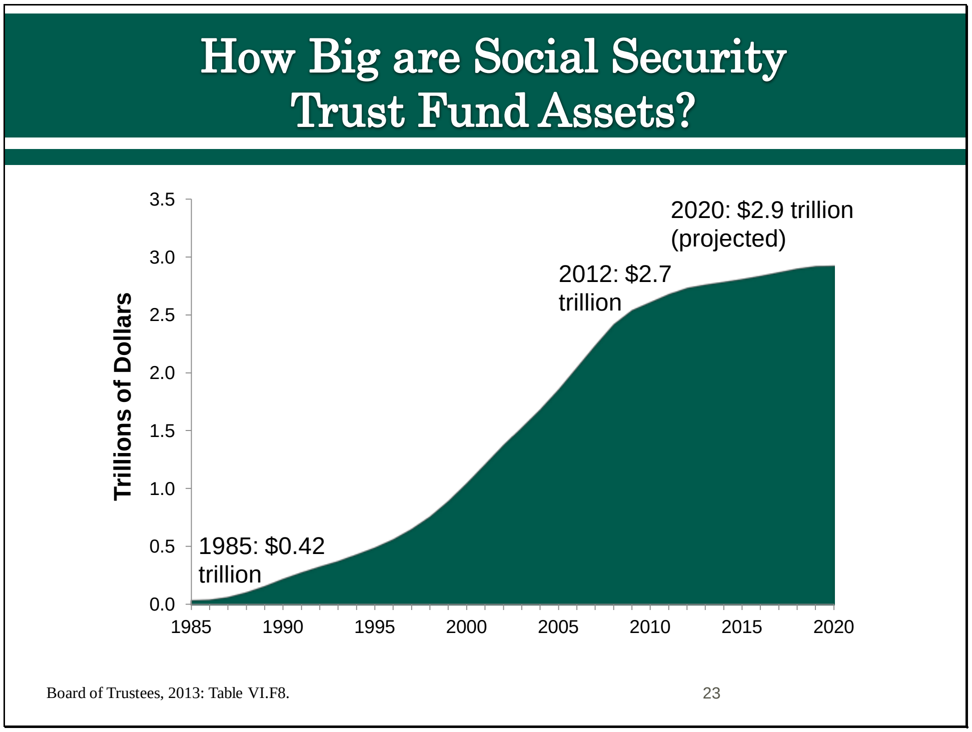
The Social Security system is made up of two trust funds. Of the 6.2 percent of earnings that workers and employers each pay for Social Security, 5.3 percent is for the Old-Age and Survivors Insurance (OASI) trust fund, and the remaining 0.9 percent goes to the Disability Insurance (DI) trust fund.

The two funds are often considered together as the OASDI, or Social Security, trust funds. But by law, they are separate and cannot borrow from each other.

Without Congressional action, the DI trust fund is projected to be depleted in 2016, and would face a funding shortfall at that time. The OASI trust fund would be depleted in 2035. Combined, the two funds could pay full benefits until 2033.

A temporary reallocation of part of the tax rate from the OASI trust fund to the DI trust fund would ensure that both Social Security funds can pay full benefits through 2033. Congress has reallocated the tax rate 11 times since DI was created, most recently in 1994.

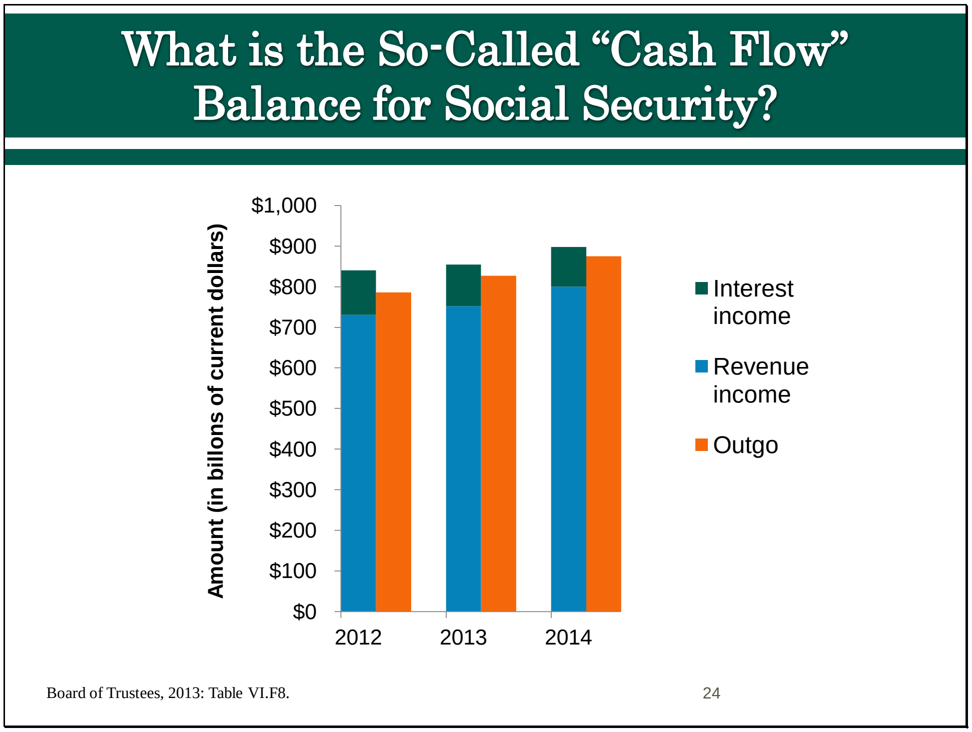
All subsequent references to the Social Security trust funds in this primer refer to the combined OASDI trust fund. For more information on the DI trust fund and options to keep it solvent, see NASI's brief "Social Security Disability Insurance: Action Needed to Address Finances" (Reno, Walker, and Bethell, 2013).



Social Security's trust fund assets were $2.7 trillion at the end of 2012. They are projected to grow to $2.9 trillion by 2020.

Some people say the special-issue Treasury securities held by the trust funds are "worthless IOUs." Is that true?

Not at all. The investments held by the trust funds are backed by the full faith and credit of the U.S. government. The government has always repaid Social Security, with interest. The special-issue securities are just as safe as U.S. savings bonds or other financial instruments of the federal government. In financial markets, U.S. Treasury securities are considered one of the safest and most secure investments.



The "cash-flow" balance for Social Security – which is based on the unified federal budget perspective – reports the program's annual income and outgo without counting interest on trust fund reserves. For example, some media reports announced recently that "in 2012 Social Security paid out more than it took in." In fact, the program had a $54 billion surplus for 2012 (as shown on page 19). The "cash-flow" discussion ignores interest, which is a very real part of Social Security's income.

The chart above shows projected total income to the Social Security system – including both interest (in green) and revenues from other sources (in blue) – and outgo (in orange). If interest is ignored, then other income was less than outgo in 2012. Interest income is a firm commitment of the Treasury to pay the interest due to the Social Security trust fund. It is just as firm as the nation's obligation to pay interest to any other holder of U.S. Treasury bonds, whether a Wall Street firm, China, or an individual citizen bondholder. Projected income to Social Security including interest will continue to exceed outgo through 2020.

How Do Actuaries Estimate the Future?

1) Review the past: birth rates, death rates, immigration, employment, wages, inflation, productivity, interest rates.
2) Make assumptions for the next 75 years (longer than the rest of the government).
3) Three scenarios:
   - Low cost;
   - High cost;
   - Intermediate (best estimate).

Board of Trustees, 2013.

25

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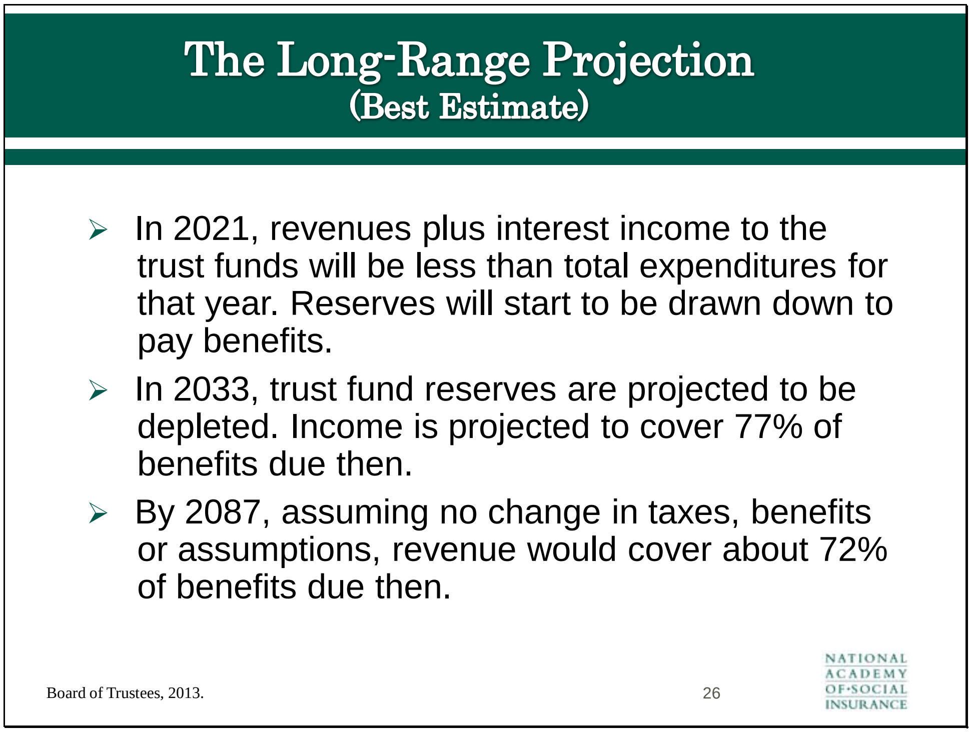
How do actuaries project the future?

The actuaries project the Social Security system 75 years into the future. They update their forecast every year. The purpose is to help policymakers anticipate whether Social Security is likely to face financing problems in the future. The actuaries make three forecasts: low cost, high cost, and intermediate (or best estimate).

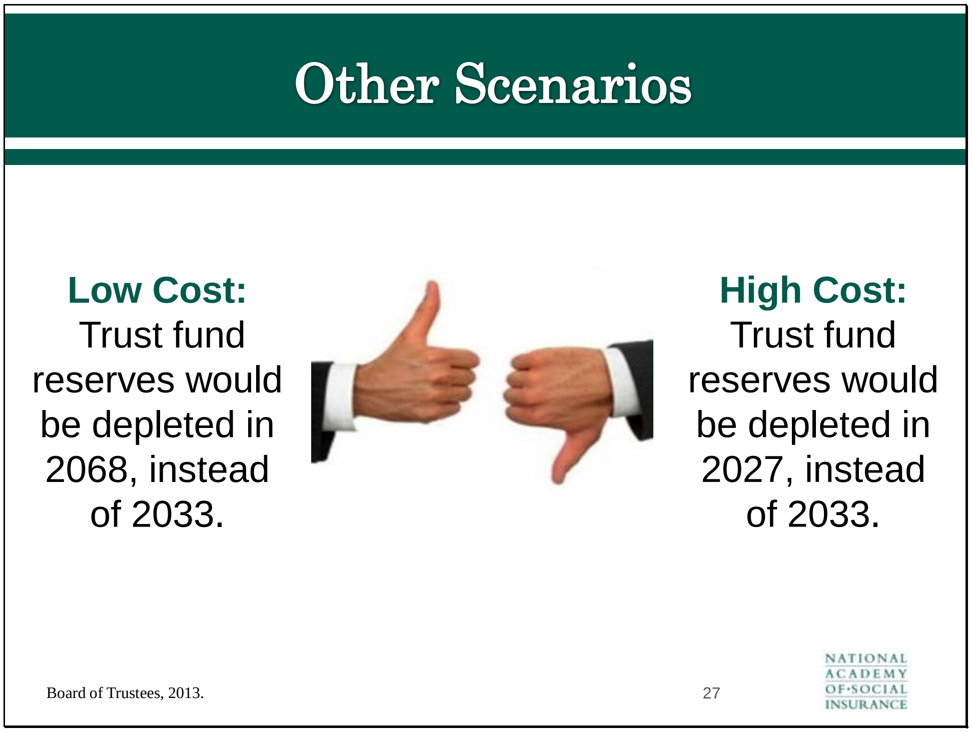
For each, they use assumptions that have been reviewed and agreed to by the trustees. The assumptions are about future trends in aspects of the population and the economy that would affect the income and outgo of the trust funds.



Under the "best estimate" set of assumptions, the 2013 Trustees Report finds:

In 2021, revenues plus interest income to the trust funds will be less than total expenditures for that year. Reserves will start to be drawn down to pay benefits.

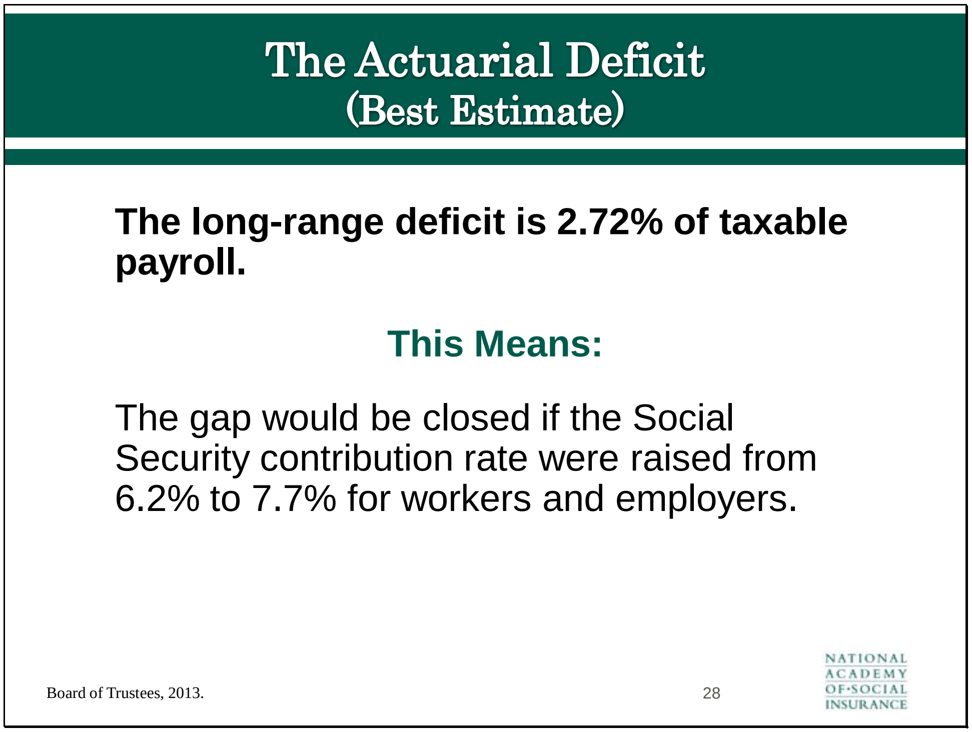
In 2033, reserves are projected to be depleted (assuming no change in benefits or contributions). Income is projected to cover 77 percent of benefits due then. The system will be far from "bankrupt," because Social Security contributions will keep coming in. But if this projection does not improve, policymakers will need to make some changes before 2033 to ensure that all scheduled benefits can be paid.



What do the other scenarios show?

- Under the trustees' "High Cost" scenario, the Social Security trust fund reserves would be depleted in 2027, instead of 2033.
- Under the "Low Cost" scenario, the reserves would be depleted in 2068, instead of 2033.

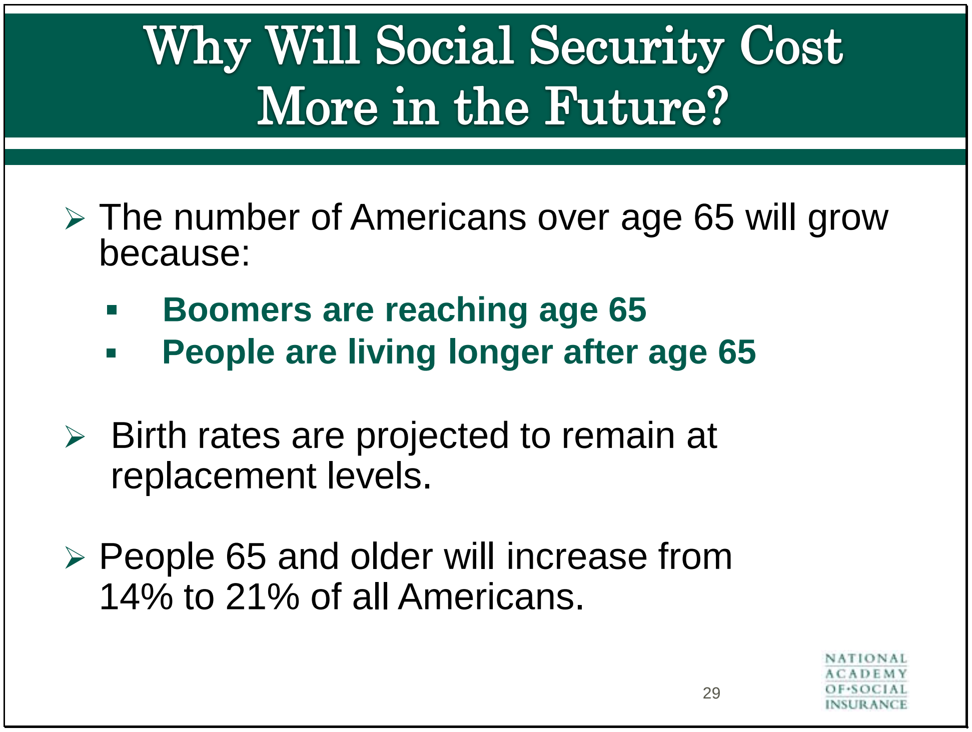
The difference among estimates shows that there is great uncertainty about predicting the distant future.



What is the “actuarial deficit”?

Some experts talk about the “actuarial deficit.” It is a way to measure the status of Social Security over the next 75 years in a single number.

Under the intermediate (best estimate) scenario, the Social Security trustees anticipate an actuarial deficit of 2.72 percent of taxable wages. This means that the gap in Social Security finances would be closed if the contribution rate were raised from 6.2 percent to 7.7 percent for workers and employers. This combined increase is slightly higher than the actuarial deficit of 2.72 percent due to the assumed response of employees and employers to an increase in the contribution rate.



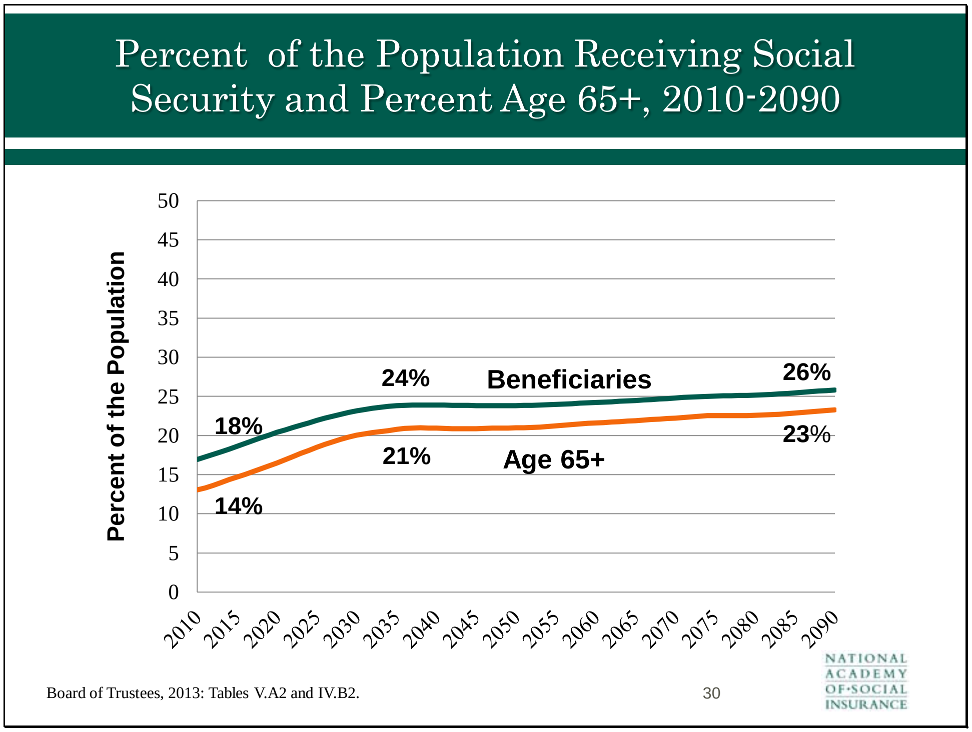
Why will Social Security cost more in the future?

The number of Americans over age 65 will grow because:

- Boomers are reaching age 65.
- People are living longer after age 65. However, the longevity increases are not evenly spread across the population, with certain demographic groups enjoying significantly longer lifespans than others.

People age 65 and older will increase from approximately 14 to 21 percent of all Americans by 2035, as the following page shows.

While the number of people eligible for Social Security will increase, no further increases are scheduled in the Social Security contribution rate.

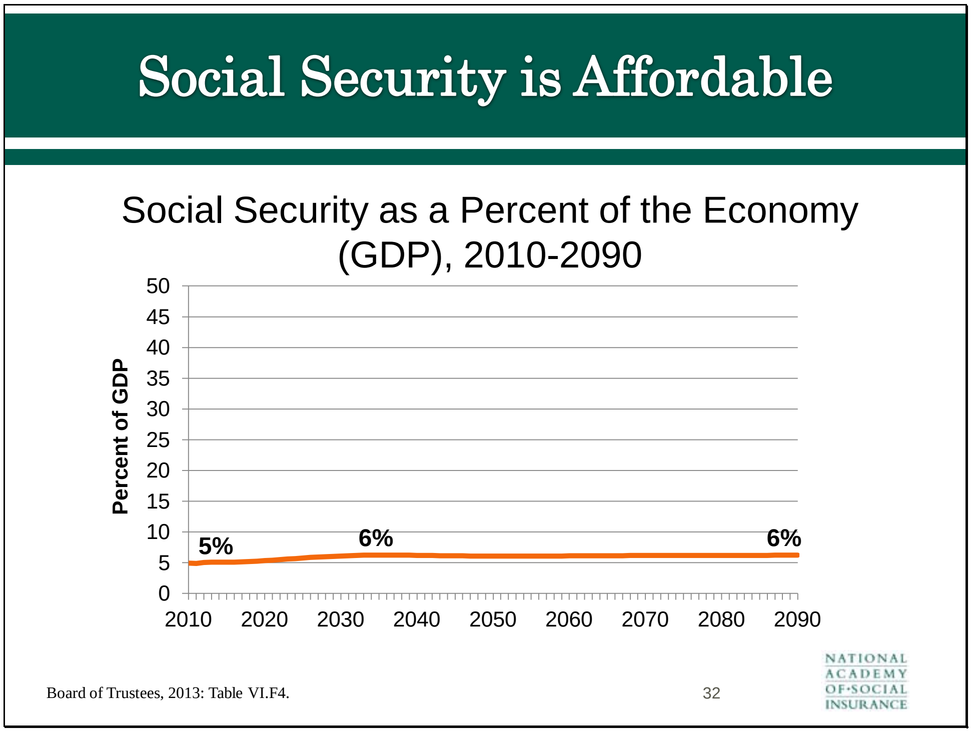


The share of the population that is over age 65 will increase from about 14 percent today to about 21 percent in 2035 and then will gradually increase to about 23 percent by 2090. The beneficiary share of the population is a bit larger than the age 65+ population because some people under age 65 receive disability, survivor, or early retirement benefits. Beneficiaries as a portion of the U.S. population will increase from about one in six Americans today to about one in four 75 years from now.

Does the growing share of older Americans mean that we can’t afford Social Security? That is the next question.

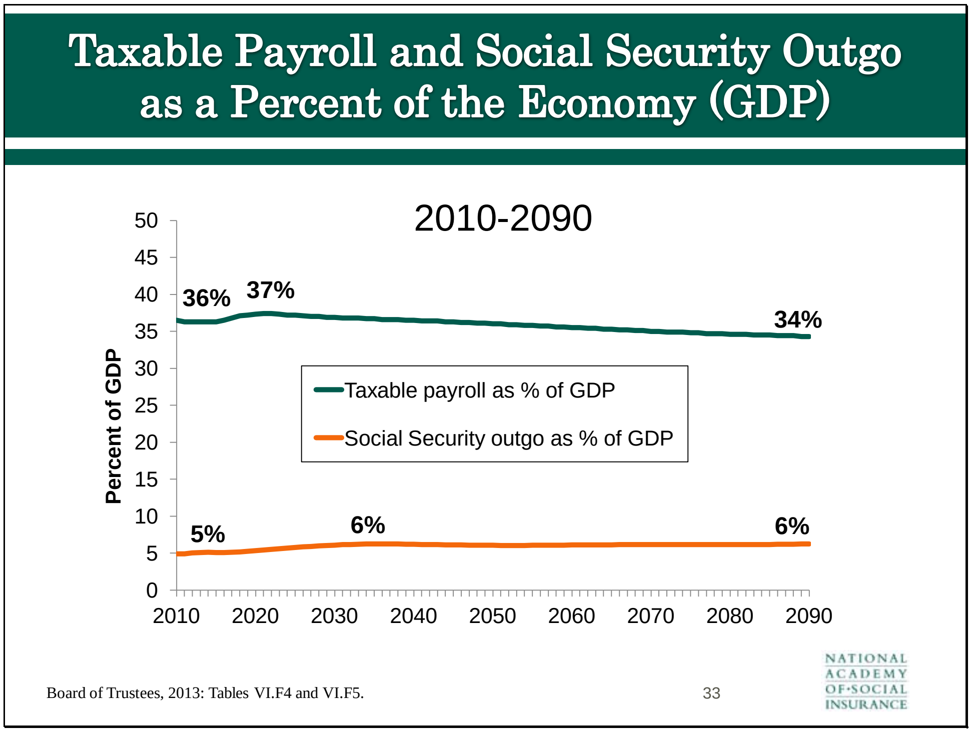
Can we afford Social Security in the future?

A widely accepted way to assess the Social Security program’s affordability is to compare benefits scheduled under current law with the size of the entire economy at the time when benefits are to be paid.



According to the 2013 report of the Social Security trustees, Social Security benefits are now 5.0 percent of the economy, or gross domestic product, and are projected to rise to 6.2 percent in 2035 and then decline somewhat, remaining between 6.0 and 6.2 percent thereafter. This modest increase between now and 2035 is smaller than the growth in spending for public education that occurred when the boomers were children.

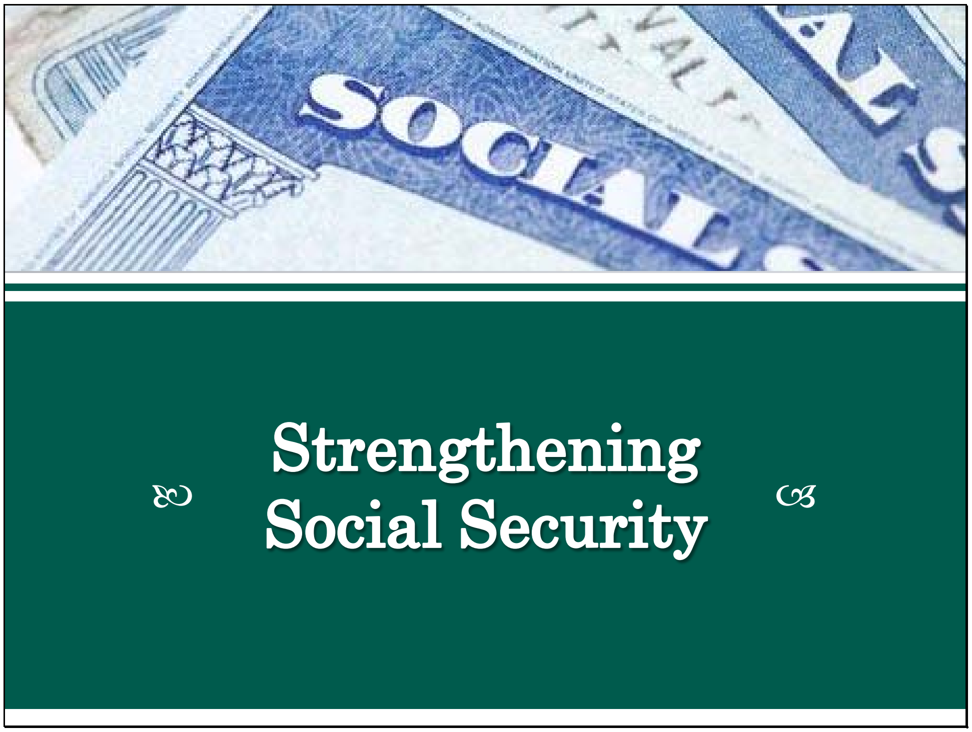
A key reason why Social Security remains a relatively stable share of the economy even as more people rely on the benefits is that the change in the full-benefit age to 67 will gradually lower benefits for more and more older Americans over the next 45 years. By 2055 all beneficiaries under the age of 95 will have experienced the benefit reduction associated with changing the full-benefit age to 67. This aspect of the 1983 amendments is only beginning to be felt.



To put Social Security's financing in a broader perspective relative to the entire economy, consider taxable payroll – or the total wages subject to Social Security (FICA) contributions – as a percentage of the national economy. In 2012, 36 percent of GDP was subject to Social Security contributions; the rest of the national income was not. This share is projected to decline to 34 percent of GDP by 2090.

Sources of income that are *not* subject to Social Security taxes include:

- Earnings above the tax cap (about 17 percent of aggregate earnings);
- Earnings of workers not covered by Social Security (about 25 percent of state and local government employees do not participate in Social Security);
- Non-taxable fringe benefits paid by employers, such as health insurance premiums, pension and 401(k) contributions, and most other employee benefits;
- Employees' tax-favored contributions to "salary reduction" plans for purposes other than retirement (such as out-of-pocket spending for health care, child care, or work expenses);
- Income from capital, such as interest on investments, stock dividends, and rental income from real estate; and
- Realized increases in the value of property (capital gains) and transfers of property (through gifts and inheritance).



There are countless options and proposals to change or improve Social Security. They include options to:

- Increase benefit adequacy, often for a specific vulnerable group;
- Increase revenues for solvency; and
- Reduce benefits for solvency.

NASI's report, *Fixing Social Security: Adequate Benefits, Adequate Financing* (Reno and Lavery, 2009), illustrates nearly a dozen policy options to improve the adequacy of Social Security benefits for selected groups and improve the status of the program's finances over the next 75 years. The report includes official estimates from Social Security actuaries of the financial consequences of those changes for Social Security's long-term balance.

Low-Cost Options to Improve Adequacy

Options that would improve the adequacy of benefits include:

1) Update the special minimum benefit to ensure that long-serving, low-paid workers can remain out of poverty when they retire.
2) Reinstate student benefits until age 22 for children of disabled or deceased workers (currently, benefits for these children stop at age 18-19).
3) Allow childcare years to count towards Social Security benefits.
4) Increase benefits for the "oldest old" (ages 85 and older).
5) Increase benefits for widowed spouses of low-earning couples.

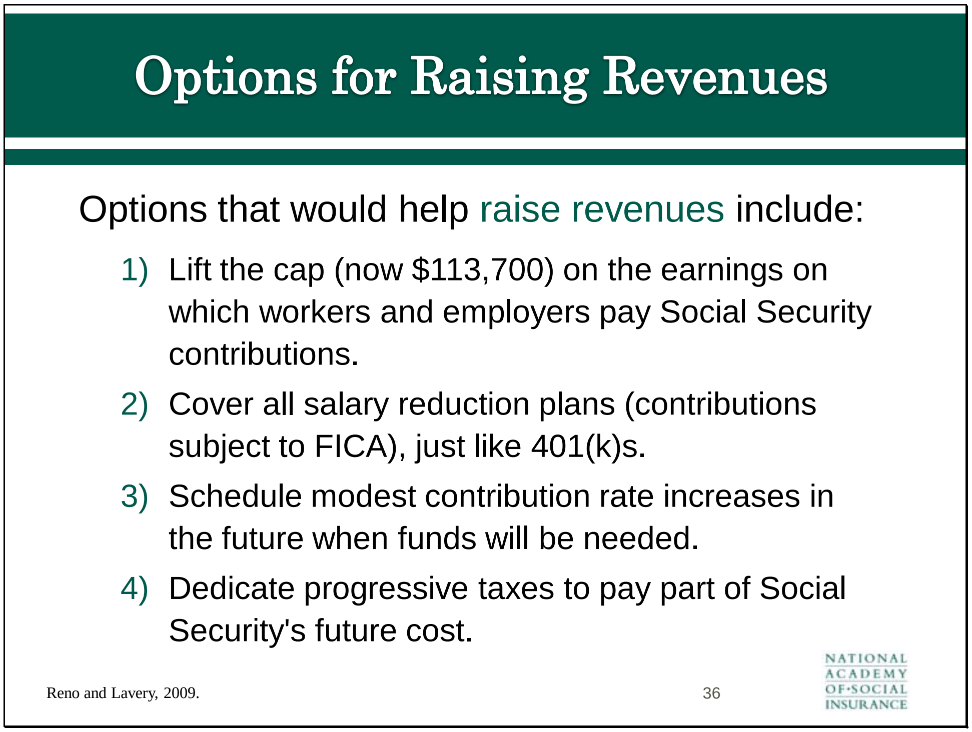
35

NATIONAL ACADEMY OF SOCIAL INSURANCE

Reno and Lavery, 2009.

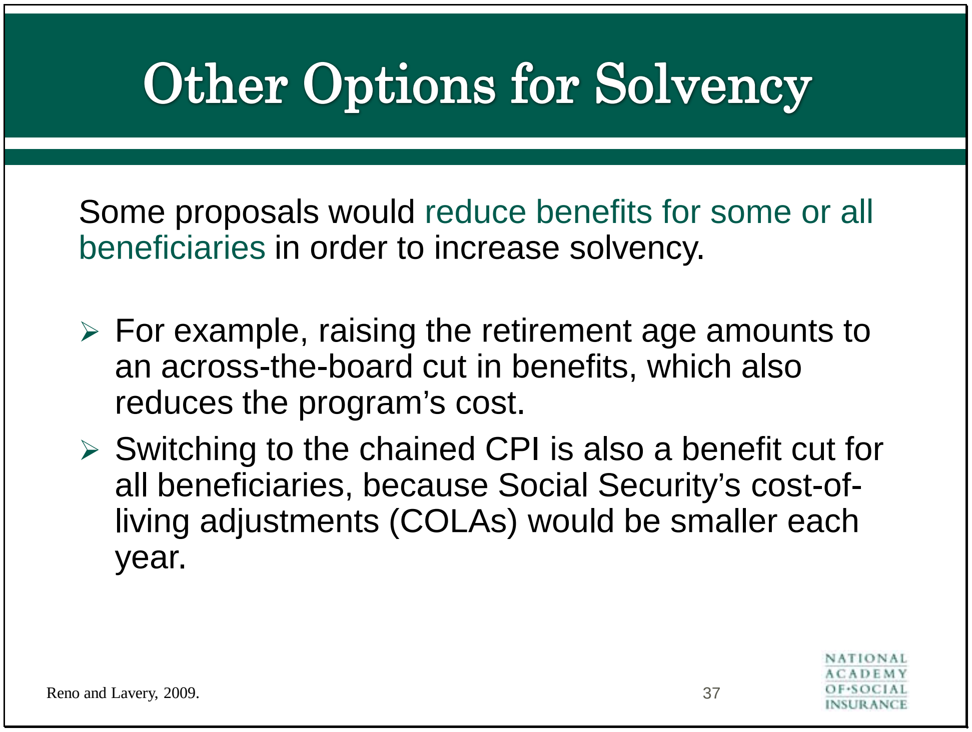
Each of these policy options targets an economically vulnerable group that would receive more adequate benefits under that option.

For more information on these options and their costs, see NASI's report *Fixing Social Security: Adequate Benefits, Adequate Financing*.



The report includes many options for improving Social Security revenues in the future. For example:

- Lift the cap on earnings subject to Social Security contributions (now $113,700). Many variations on this option exist. Some would eliminate the entire long-term deficit in Social Security; others go part way.
- Cover all salary reduction plans, just like 401(k)s – that is, treat contributions into the plans as covered earnings for Social Security. In 1983, Congress decided that worker contributions into 401(k)s should be covered by Social Security. That rationale could apply to other salary reduction plans.
- Schedule a modest increase in the 6.2 percent contribution rate out in the future when funds would be needed. Such a change could avoid drawing down Social Security reserves so that interest income will remain a permanent source of income to Social Security.
- Dedicate progressive taxes to pay part of the future cost of Social Security. Examples of progressive taxes (which fall more on higher-income individuals than lower-income ones) include an estate tax and a financial transactions tax.



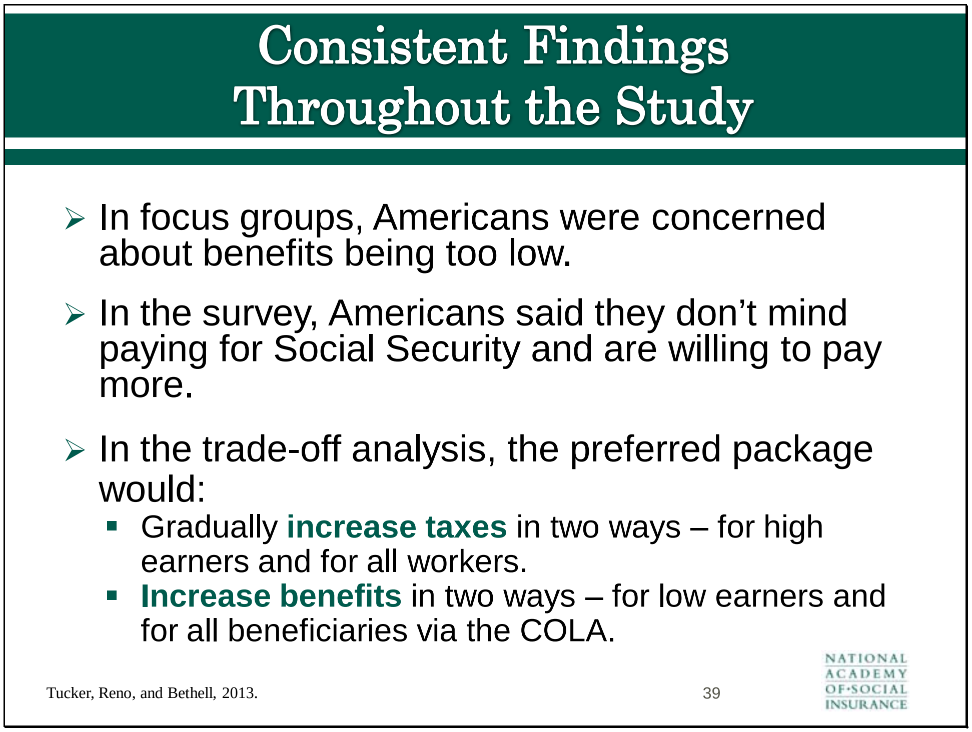
Raising the retirement age and switching to the chained CPI would each lower future benefits and costs.

For more information on these options and their costs, see NASI's report *Fixing Social Security: Adequate Benefits, Adequate Financing*.

Public opinion polls consistently show that Americans support Social Security and are willing to pay for it. In fact, polls show that Americans would rather pay more than see future benefits cut any more than is already scheduled in current law.

NASI recently conducted a national survey of Americans' perspectives on Social Security and their preferences regarding options to strengthen the program for the future. The study found strong support for Social Security across income, generation, race and ethnicity, and party lines.

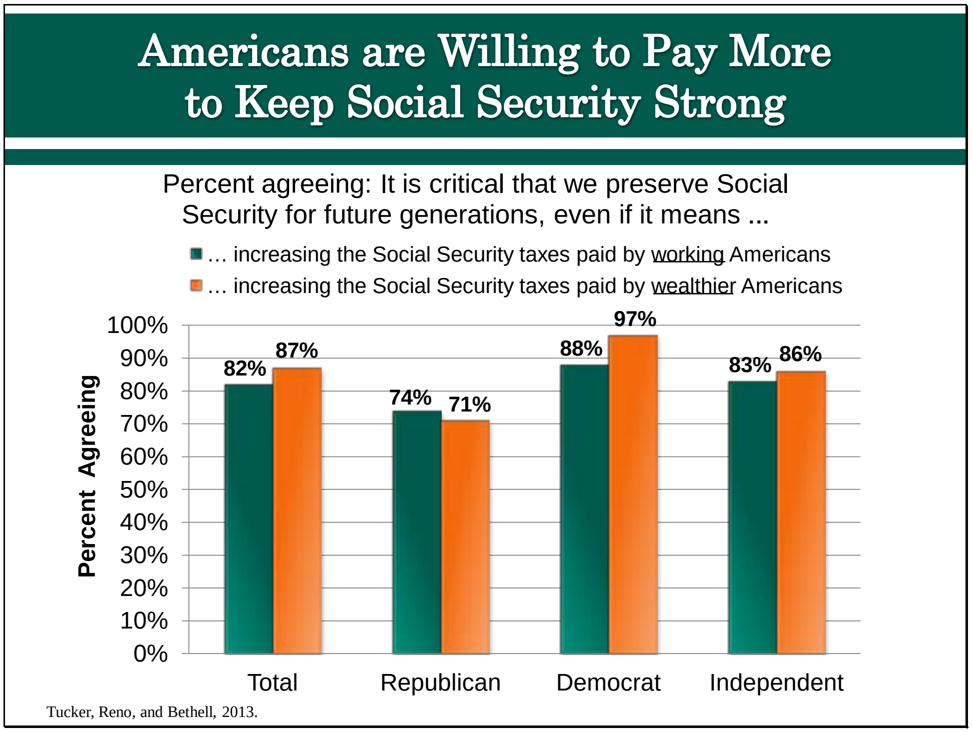
For full results of the study, see NASI's report *Strengthening Social Security: What Do Americans Want?* (Tucker, Reno, and Bethell, 2013).



The survey found strong evidence that Americans value Social Security, don't mind paying for it, and would rather pay more than see benefits cut.

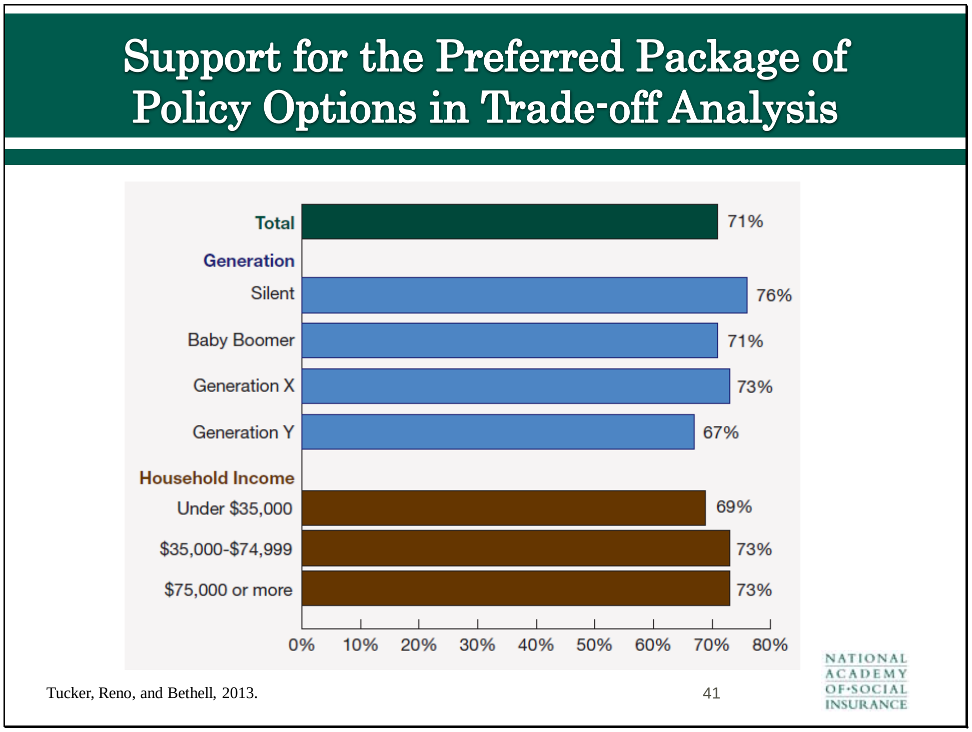
The survey also used an innovative method called "trade-off analysis" that asked participants to chose among different packages of policy options. The favorite package included two revenue increases and two benefit increases.

The following charts show more detail about the survey results.



The study found that Americans are willing to pay more in order to keep Social Security strong.

- 82% of Americans agree it is critical to preserve Social Security even if it means increasing the taxes paid by *working* Americans. Those agreeing include 74% of Republicans, 88% of Democrats and 83% of independents.
- 87% of Americans agree it is critical to preserve Social Security even if it means increasing the taxes paid by *wealthier* Americans. Those agreeing include 71% of Republicans, 97% of Democrats and 86% of independents.



The respondents' favorite package of policy options would:

- Gradually, over 10 years, eliminate the taxable earnings cap (now $113,700).
- Gradually, over 20 years, raise the payroll tax from 6.2% to 7.2%.
- Increase the cost-of-living adjustment (COLA) to more accurately reflect the inflation actually experienced by seniors.
- Raise the minimum benefit so that a lifetime low-wage worker can retire at 62 or later and have benefits above the federal poverty line.

This package more than eliminates the 75-year financing gap and leaves a small surplus.

Seven in 10 Americans, across generations and income levels, supported this package over the status quo.

Recap

- Benefits are modest (dollars and replacement rates). Yet they are **most beneficiaries' main source of income.**
- Benefits will replace a smaller share of earnings in the future than they do today **(replacement rates are already declining and are projected to decline further in the future)**.
- **Revenue increases or benefit cuts will be needed** to balance Social Security.
- Lawmakers **have many options** to raise revenues and improve adequacy.
- **Americans value Social Security** and are willing to pay for it.
- **Americans would rather pay more** than see future benefits reduced.

42

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