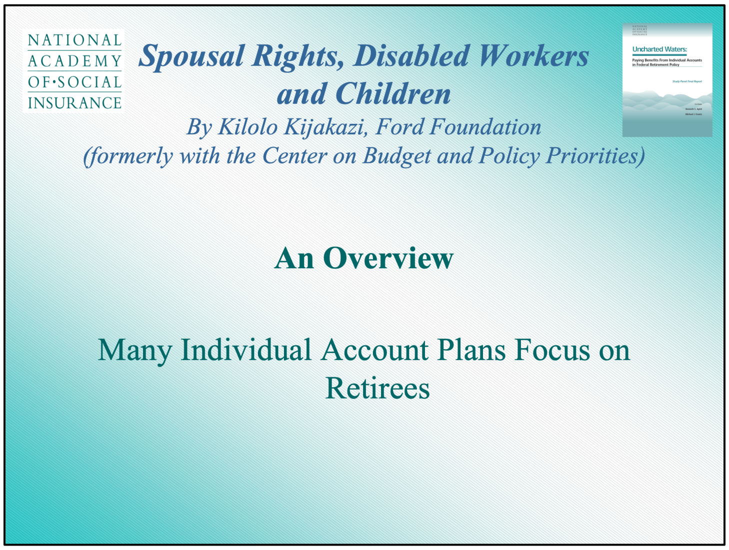
Slide 58



Our next speaker is Kilolo Kijakazi now of the Ford Foundation. Kilolo was with the Center on Budget and Policy Priorities when she joined the panel.

Just as most discussion of individual accounts has focused on the accumulation phase, rather than the payout phase, most attention to the payout phase has focused on retirees. The impact of new policies on other people who might be affect by – or have rights to – new accounts has received far less attention. This panel focuses on three important groups: disabled workers, spouses, and children.

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Of the 47 millions individuals receiving Social Security benefits, only about half receive benefits solely as retired workers, while the other half receive benefits based on disability or family relationship to a worker.

About 12 percent of people receiving Social Security are disabled workers. (Although it is preferable to refer to "people with disabilities" rather than disabled people, the term "disabled worker" is a term of art in the Social Security system.)
Roughly 30 percent (who are overwhelmingly women) get benefits based, at least in part, on a spouse's work record. Many of these women are "dually entitled" – that is, they qualify for Social Security benefits as retired workers, and are entitled to a higher benefits as wives, widows or divorced wives. In this case, their benefits are based on

their own records, plus a supplement up to the amount of the benefit as wives, widows, or divorced wives.

Finally, about 8 percent of Social Security beneficiaries are children who get benefits when a parent dies, becomes disabled or retires. The children include minor children under age 18 and about 750,000 adults who receive benefits as disabled adult children, based on a parent's work record.

The traditional Social Security program is social insurance that provides workers and families with protections against economic insecurity due to prolonged disability or the death of a family worker, in addition to providing benefits in retirement. Through universal participation, Social Security pools risks broadly to provide a basic level of economic security to all. Because assets in individual accounts are not expected to spread risk the way insurance does, it is important to examine how new accounts might interact with Social Security benefits for spouses and surviving spouses, disabled workers and their families, and for children.

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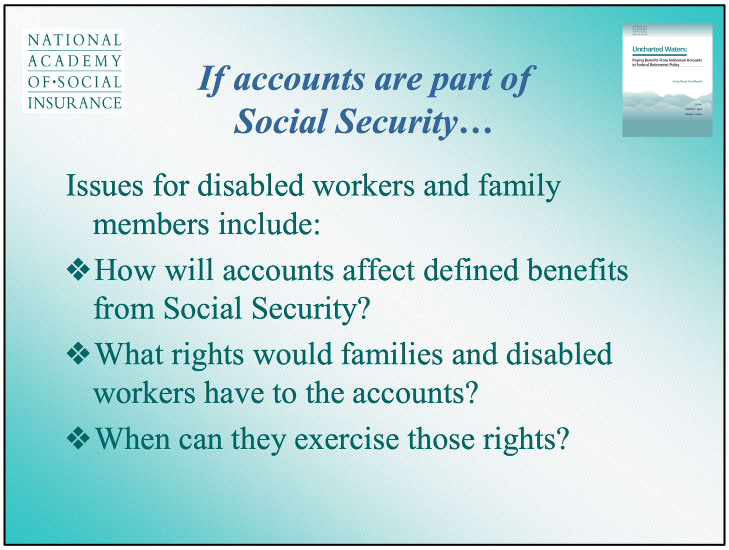

If individual accounts are part of Social Security, there are important questions regarding how the new policies will affect this "other half" of beneficiaries.

If Social Security benefits are reduced or "offset" because part of Social Security taxes are shifted to individual accounts, how will those offsets apply to disabled workers? How will such offsets affect families who receive benefit on a worker's account?

As Steve Goss discussed, "worker-specific offsets" are designed as part of plans that permit workers to shift Social Security taxes to personal accounts on a voluntary basis. Other plans may shift funds to personal accounts on a mandatory basis – and offset benefits across-the-board to accommodate the change. These policies could have unintended effects on families and on benefits for disabled workers unless these benefits are explicitly addressed.

What rights will disabled workers, spouses, and children have to the funds in the personal accounts? If they have rights, when can they exercise those rights. These are key policy questions.

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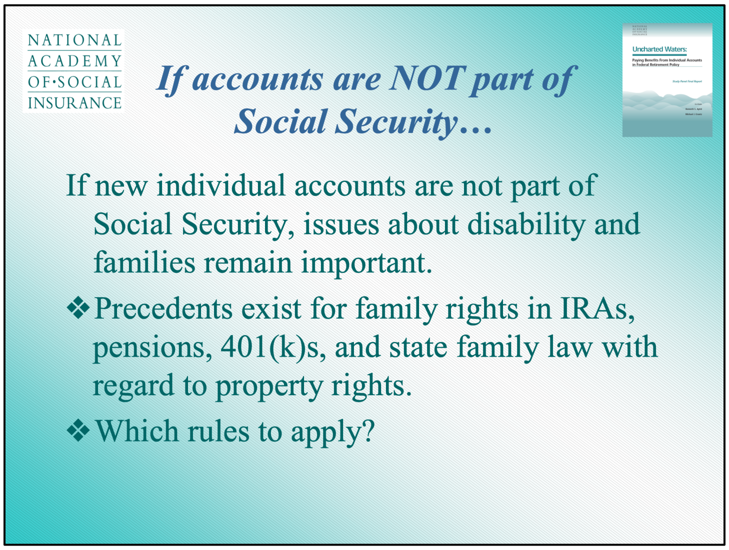

Finally, if newly created individual savings accounts are NOT part of Social Security, important policy questions remain about how these accounts that are designed with retired workers in mind would apply at other life events.

We have a variety of precedents for answering these questions: in federal policies with regard to IRAs, private pensions, public employee pensions, and in state family law.

If we set up new retirement savings accounts – beyond those that already exist – which of the existing precedents will policymakers want to follow in deciding rights of family members to the accounts?

We turn to spousal rights, first.