

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Ten Reasons the Social Security Proposal of the Fiscal Commission Co-Chairs Should be DOA (Dead on Arrival)

The [Fiscal Commission Co-Chairs' Social Security proposals](#) are an equal opportunity disaster. So soon after an angry electorate has expressed its frustration with a Washington political class that does not appear to be listening, it totally ignores the will of the people. Poll after poll has shown that Democrats, Republicans, and Independents reject the punitive cuts in America's economic security that the co-chairs have proposed. Their proposal:

- **Deeply cuts the benefits of middle-class families.** The proposal would cut retirement benefits by as much as 36% for young people entering the workforce today. Today's 20-year old workers who retire at age 65 would see their benefits cut by 17% if their wages average \$43,000 over their working lives, by 30% if their wages average \$69,000 over their working lives, and by 36% if their wages average \$107,000 over their working lives, according to the Social Security Chief Actuary.¹ The proposed cuts would apply to retirees, disabled workers and their families, children who have lost parents, and widows and widowers.
- **Closes Social Security's long-range funding gap primarily by cutting already low benefits, rather than by raising taxes on those who can most afford to pay.** Ninety-two percent of Social Security's projected funding gap is closed by cutting promised benefits, according to the proposal. The benefit formula change eliminates 45% of the projected shortfall, raising the retirement age eliminates 21%, and reducing the COLA eliminates 26%.² Social Security's benefits are already inadequate – just \$13,000 a year on average³ – and should not be cut further. Instead, Social Security's long-range funding gap could be closed, as most Americans want, by requiring those employees (and their employers) who make more than \$107,000 a year to pay Social Security taxes on all their wages, as the rest of us do who earn less.⁴
- **Raises the retirement age to 69.** This is a 13% benefit cut on top of the 13% cut already made when the retirement age was increased from 65 to 67, according to the Social Security Administration.⁵
- **Raises the early retirement age to 64.** Most Americans claim Social Security benefits at age 62 even though the benefits are currently reduced by 25%, when they do so.⁶ Millions take early retirement because they work in physically demanding jobs, have health problems, or can no longer find work. Raising the early retirement age will shut them out of the system when they are most vulnerable, potentially forcing them to seek disability benefits or welfare.

- **Discriminates against lower-wage workers by raising the retirement age.** Over the last quarter century, life expectancy of lower-income men increased by one year compared to five years for upper-income men. Lower-income women have experienced *declines* in longevity.⁷ Yet, the higher retirement age applies to rich and poor, healthy and sick, alike. In effect, the proposal says to lower wage workers that they must work longer because the rich are living longer!
- **Reduces the annual Cost of Living Adjustment (COLA) for Social Security beneficiaries.** The “chained CPI” proposal would reduce benefits by 0.3% a year on average.⁸ This will result in a 3.7% cut in benefits after 10 years in retirement beginning at age 65 and a 6.5% cut after 20 years, according to the Social Security Chief Actuary.⁹ If anything, the COLA should be increased because it does not adequately take account of skyrocketing medical costs, which hit seniors and people with disabilities hardest.
- **Hurts current retirees, contrary to promises made by the Co-Chairs.** The change in the COLA calculation would begin in 2011 and affect all beneficiaries, not just retirees.
- **Breaks faith with our nation’s veterans and service members.** Social Security benefits are veterans’ benefits – 43% of veterans receive Social Security.¹⁰ Our men and women in uniform (and their families) will see their Social Security disability benefits cut deeply if they are seriously injured in combat. If they die in combat, their survivors’ benefits will also be cut substantially. And veterans’ retirement benefits will be cut significantly just like for all other Americans.
- **Harms our grandchildren the most.** In the name of helping our grandchildren, the proposal cuts their benefits the most. The younger a person is the deeper the cuts because of the increase in the retirement age and the changes in the benefit formula.¹¹
- **Breaks Social Security’s promise with hard-working Americans.** Social Security belongs to the people who have worked hard all their lives and contributed to the program. It is based on a promise that if you pay in then you earn the right to guaranteed benefits. The Co-Chairs’ proposal would break that promise.

¹ Social Security Administration (SSA), letter from Stephen C. Goss, Chief Actuary, to Fiscal Commission Staff, “Fiscal Commission Plan 2a: Tax Light Plan,” pp. 4, 5, November 9, 2010. The wage amounts are in constant 2010 dollars.

² Co-Chairs’ Proposal, “Restoring Social Security Solvency,” p. 48, Nov. 10, 2010. Available at http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/CoChair_Draft.pdf.

³ Average monthly benefit amounts calculated by multiplying by twelve from SSA, “Fast Facts & Figures About Social Security, 2010,” p. 15. Available at http://www.socialsecurity.gov/policy/docs/chartbooks/fast_facts/2010/fast_facts10.pdf

⁴ Polling data available at

<http://strengthen-social-security.org/sites/default/files/SSSCHighlightsofKeyPollingQuestionsonSocialSecurity.pdf>

⁵ Social Security Administration, "Effect of Early or Delayed Retirement on Retirement Benefits," 2010. Available at http://www.ssa.gov/OACT/ProgData/ar_drc.html. Each one-year increase represents a cut of 6% to 7%.

⁶ Social Security Administration, "Retirement Benefits by Year of Birth." Available at <http://www.socialsecurity.gov/retire2/agereduction.htm>. The 25% reduction applies to people who claim benefits at their 62nd birthday when the normal retirement age is 66. People accepting benefits later in their 62nd year have slightly lower reductions.

⁷ Harry C. Ballantyne, Lawrence Mishel and Monique Morrissey, "Briefing Paper #273: Social Security and the Federal Deficit, Not Cause and Effect," Economic Policy Institute, August 6, 2010, p. 8. Available at http://epi.3cdn.net/99133adf653fd78719_qym6b95et.pdf

⁸ SSA letter to Fiscal Commission Staff, footnote 4, p. 4.

⁹ Social Security Administration, letter from Stephen C. Goss, Chief Actuary, to Rep. Earl Pomeroy, "Table 3. Indexing Cost of Living Adjustments (COLA) to a Chained Version of CPI-W," October 18, 2010. Available at http://waysandmeans.house.gov/media/pdf/111/SSA_Actuary_BenefitsExample_Letter.pdf
Using this lower COLA would cut benefits by \$108 billion over 10 years, according to the Congressional Budget Office, "Budget Options: Volume 2," August, 2009, p. 147. Available at <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>

¹⁰ Social Security Administration, "Military Veterans Paper Tables Updated CPS 2009," 2009.

¹¹ SSA letter to Fiscal Commission Staff, p. 4.