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HEARING ON
PERSPECTIVES ON DEBT REDUCTION: SOCIAL SECURITY

UNITED STATES SENATE
COMMITTEE ON FINANCE

MAY 10, 2011

Chairman Baucus, Ranking Member Hatch, and Members of the Committee:

Thank you for holding today's hearing on how Social Security relates to the federal debt subject to a statutory limit which will be reached in a matter of months.[1] Social Security is of vital importance to the American people, and its relationship to the federal debt is crucial to understand, yet widely misunderstood.

As co-director of Social Security Works, I co-chair the Strengthen Social Security Campaign, a broad-based coalition of over 300 national and state organizations representing 50 million Americans, including seniors, workers, women, people with disabilities, children, young adults, people of low-income, people of color, communities of faith, and others. I also chair the Board of Directors of the Pension Rights Center, and serve on the Board of Directors of both the National Academy of Social Insurance and the Foundation of the National Committee to Preserve Social Security and Medicare.

In 1982, I had the honor to serve as the top assistant to Alan Greenspan in his capacity as the Chairman of the so-called Greenspan commission, whose recommendations formed the basis for the Social Security Amendments of 1983. Prior to that, I had the privilege to serve as a legislative assistant to Senator John C. Danforth (R-MO.).

Social Security is a Pension Plan whose Income and Assets, like Those of Private Pensions, are Legally Required to be Segregated from Those of the Plan Sponsor

Those arguing for the inclusion of Social Security in comprehensive deficit legislation often seek to justify their position by asserting that "everything" should be "on the table." But that facile phrase fails to recognize that Social Security is a pension plan. For sound

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[1] While economists sometimes artificially divide the federal debt into subcategories, such as debt held by foreign entities, pension trusts, individuals, the public, and so on, the law does not. The category of debt which is recognized by the law is the government's total debt which is subject to a statutory limit. That is the amount of debt which the United States cannot exceed without an Act of Congress raising the debt limit. That is the category of debt on which this statement focuses.

reasons, the law requires that private employers who sponsor pension plans keep plan income and assets segregated from the company's general operating fund. For the same sound policy reasons, the law requires that Social Security's income and assets be kept segregated from the general operating fund of its plan sponsor, the federal government.

Both private pensions and Social Security are required to keep plan assets in pension trusts overseen by plan trustees. Like any prudent plan sponsor, the federal government carefully accounts for those plan assets. Several dozen civil servants at the Department of Treasury and the Social Security Administration keep precise and meticulous track of the income and assets of Social Security. Every year, the trustees of the Social Security trust funds are required by law to report to Congress on the program's current and projected operations. In addition to those measures, Congress has required that Social Security's income and outgo not be part of the federal budget. The law unambiguously states that Social Security "shall not be counted…for purposes of - (1) the budget of the United States Government as submitted by the President, [or] (2) the congressional budget…."[2]

Social Security's primary revenue has always been pension contributions of employers and employees. Today, those contributions are sometimes referred to as payroll taxes, but they are, more accurately, pension insurance contributions. This is precisely why the statute mandating these payments is entitled the Federal Insurance Contributions Act (FICA).

That title is no political spin. Congress enacted the Federal Insurance Contributions Act in 1939, well before the current fashion of Madison Avenue-styled legislative titles like the "Economic Growth and Tax Relief Act" or "Repealing the Job-Killing Health Care Law Act." In stark contrast, Franklin Roosevelt named his bills plainly and straightforwardly. His tax bills were labeled "Revenue Act", his legislation to protect the right of workers to unionize, the "National Labor Relations Act", and his "Federal Insurance Contributions Act" specifies the contributions workers must make in exchange for pension annuities, life insurance, and since 1956, disability insurance. From the beginning, contributions not needed for current benefits and related administrative costs have been invested and kept in trust as a reserve for the exclusive purposes of paying benefits and associated administrative costs.

By Law, Social Security Cannot Add a Penny to the Deficit

The injection of Social Security into the broader deficit debate obscures the fact that by law Social Security lacks the authority to add to the federal deficit.[3] By law, it can only pay benefits, if it has sufficient revenue to cover the costs. Its budget must be balanced, but Social Security cannot accrue the revenue needed to balance its budget through borrowing, because it has no borrowing authority. Social Security lacks the legal

[2] Pub. L. 101-508, title XIII, Sec. 13301(a), Nov. 5, 1990, 104 Stat. 1388-623

[3] Appended, for the Committee's information, is a statement signed by 276 academics and other Social Security and budget experts seeking to dispel confusion about this often misunderstood point

authority to deficit-spend, and so, cannot run a deficit. Because it cannot run a deficit, it cannot add to the federal deficit [4]

Cutting Social Security Does Not Reduce the Federal Debt Subject to Limit

As the members of this Committee know, the federal government will reach the limit on federal debt, or debt limit, in a matter of months. In that regard, it is crucial to understand that cutting Social Security does not reduce the United States' debt subject to that limit. This sharply differs from cuts to agricultural subsidies, defense, or other expenditures from the government's general fund.

If a program paid for from general-fund revenue were cut by $100 billion and nothing else changed, the federal government's borrowing needs would go down by $100 billion. As a consequence, the federal debt subject to the debt limit would also go down (or more realistically, given the current large deficits, would go up less than it would have, without the cut). If the savings from that hypothetical cut were offset dollar-for-dollar by a cut in income taxes or an increase in other expenditures funded from general revenues, the federal debt subject to limit would be unchanged.

In stark contrast, if Social Security benefits were cut by $100 billion, the federal debt subject to limit or total debt would remain unchanged. If the $100 billion savings from cutting Social Security benefits were offset dollar-for-dollar by a cut in income taxes or an increase in general-revenue spending, the total federal debt would increase!

For those who are used to thinking about Social Security as just another spending program and about Social Security contributions as just another tax, the relationship between Social Security and the federal debt may be counterintuitive. To grasp that relationship, it is important to see that Social Security is a defined benefit pension plan with its own separate income, outgo, and reserve fund.

The following thought experiment may help. Imagine a private pension plan whose assets are invested solely in Treasury obligations. Imagine further that the plan sponsor, Company XYZ, cuts the benefits the plan provides, but does not decrease the plan's funding in any way. In that case, the plan would have more income in relation to its expenses than it had before plan benefits were cut. The plan accordingly would use that additional income to purchase additional Treasury obligations (or to pay plan costs, if that were necessary). The plan's increased income would have no effect on the federal deficit or debt. The federal government would have exactly the same general-fund income and outgo, and so, the same borrowing needs, irrespective of the cuts to the pension plan benefits. Consequently, the Department of Treasury would issue debt instruments totaling the exact same value, irrespective of the actions of the pension plan.

[4] The so-called "payroll tax holiday," enacted last December and set to expire on December 31, 2011, is a temporary change in the self-funded nature of Social Security. The provision substitutes, in 2011, general revenue for a portion of Social Security's dedicated worker contributions. .Many Social Security experts, including me, opposed the change because we believed it to be poor Social Security policy.

In the exact same way, if Social Security's plan sponsor, the federal government, cuts the benefits Social Security provides but does not decrease the level of contributions employers and employees are required to make under FICA, Social Security's income would increase in relation to its expenses, and Social Security, accordingly, would purchase additional Treasury obligations. Social Security's additional income and its purchase of additional Treasury bonds would have no effect on the federal deficit or debt. The federal government would have exactly the same general-fund income and outgo, and so, the same borrowing needs, irrespective of the cuts to Social Security. Consequently, the Department of Treasury would issue debt instruments totaling the exact same value, irrespective of the changes to Social Security.

Cutting Social Security's benefits, like cutting the benefits of a private pension plan, does not reduce by even a penny the federal deficit or the total value of debt instruments issued by Treasury. The only way to reduce the amount of federal debt Treasury issues is to reduce the expenditures of the government's general operating fund or increase its income.

Current Law Already Includes an Automatic Cap on Social Security Spending

Some policymakers are proposing a so-called universal cap as a mechanism to control federal spending. It is important to understand that unlike the general fund, Social Security already has an automatic spending cap. If Social Security were ever to lack sufficient revenue to cover the cost of scheduled benefits, the law provides that those benefits be reduced automatically.

In order to allow Congress ample time to avoid Social Security's automatic trigger, the law requires that Social Security's Board of Trustees report annually regarding the program's financial operations, projected over a 75 year valuation period. According to the most recent Trustees Report, issued last August, Social Security is projected to have a surplus in 2011 of $113 billion, and to be able to meet all scheduled obligations, even with no Congressional action whatsoever, for the next quarter of a century. If no action were taken by then, Social Security's cap on spending would automatically cut its expenditures across-the-board so that beneficiaries would receive, according to the actuaries' projections, only 78 percent of their scheduled benefits at that point.

Including Social Security within Deficit Legislation – Irrespective of the Rationale -- Risks the Appearance of Improperly Raiding Social Security

Notwithstanding the fact that Social Security does not and cannot contribute to the deficit, the proposal put forward by the co-chairs of the president's National Commission on Fiscal Responsibility and Reform included changes to Social Security, though the report explains that Social Security was included "for its own sake, and not for deficit reduction." The president and others have similarly discussed a so-called "parallel" track for Social Security. This approach is ill-advised.

Including Social Security in a comprehensive deficit package, irrespective of the rationale, is highly likely to create deep suspicion, and perhaps even anger, among the American people. The suspicion and anger that would ensue from including Social Security in deficit reduction legislation – no matter the rationale for its inclusion -- is foreseeable and understandable.

By law, Social Security's income can only be used for benefits and associated administrative costs. That requirement is not just the operation of law; it represents the solemn, long-standing, fiduciary responsibility of the government, as the plan sponsor. Historically, Congress has been extremely diligent and careful in executing its fiduciary responsibility with respect to Social Security's income and assets. From the program's origin, Congress has required Social Security's trustees to invest all surpluses in the safest, most conservative investment possible -- interest-bearing debt instruments backed by the full faith and credit of the United States. Congress has also required those trustees to report annually, no matter the circumstances, even during World War II and other times of war, on those contributions and those surpluses which are in reserve, available whenever the monies are needed to pay scheduled benefits. Currently Social Security has an accumulated reserve of $2.6 trillion.

Diverting Social Security's dedicated income and assets from their intended purpose is legally and morally wrong. Not surprisingly, numerous polls indicate that the American people do not want their Social Security contributions diverted to debt reduction or governmental purposes other than Social Security. Yet, polling and focus group data from a number of sources, including our own, reveal that many Americans believe that the government has already stolen their contributions or fear that it will. Too many Americans are convinced that their Social Security contributions have been stolen. Too many others are uncertain or worried that Congress will steal Social Security's income and assets to use for other unauthorized purposes.

The reason for this widely-held anxiety is easy to understand. The American people are constantly bombarded with irresponsible rhetoric about Social Security. For example, some policymakers casually refer to the interest-bearing United States Treasury bonds purchased by Social Security as "just IOUs." These policymakers fail to acknowledge that the expression could be used for all Treasury obligations backed "just" by the full faith and credit of the United States. Similarly, some elected officials have warned ominously that Social Security's reserves have already been spent, again not acknowledging that whenever a corporation or governmental entity issues bonds, it does so to raise needed funds, which it plans to spend; investors understand and expect that the funds will be spent and repaid out of future revenue. Even more reprehensibly, some policymakers have argued for cutting Social Security by quoting Willie Sutton, a notorious bank robber, who, when asked why he robbed banks, replied, "because that's where the money is." The quip presents an unintended but revealing picture – bank robbers and politicians, all eager to grab the money that hardworking Americans trustingly hand over every payday to what they believe is a safe institution.

All of this casual, irresponsible rhetoric is a serious disservice to the American people and explains why so many Americans believe that their contributions have been stolen. Past policymakers have understood their fiduciary responsibility for the funds which are held in trust for the trusts' beneficial owners, American workers and their families. With the notable and disastrous exception of 1981,[5] a time that should serve as a cautionary tale to all politicians, policymakers have understood that, to avoid even the appearance of impropriety, deliberations over Social Security's future solvency should be kept completely separate from broad deficit-reduction efforts.

To include Social Security in deficit legislation, even with the explanation that the inclusion has nothing to do with deficit reduction, risks reinforcing the widespread belief that Congress is improperly commingling Social Security's dedicated monies with the government's general operating fund.

The foreseeable suspicion and anger on the part of the American people can easily be avoided by addressing Social Security in legislation devoted to it alone, at a time after the current deficit debate is concluded, so that Social Security deliberations are totally divorced from general budget discussions. This approach will avoid the appearance of wrong-doing. As discussed below, it is likely to produce better policy outcomes, as well.

Congress Should Address Social Security After The Current Deficit Deliberations have been Concluded and After the Debt Ceiling has been Raised

In addition to the advantage of avoiding even the appearance of wrong-doing, prudence suggests waiting until after the deficit deliberations are concluded to take up the issue of Social Security. As part of the current deficit deliberations, this Committee has jurisdiction over, and so responsibility for, important programs funded by general revenue, as well as over income taxation and other forms of general revenue.

Social Security is too complicated and too important to the American people to be addressed as part of other complicated legislation, when full attention will necessarily be diverted, and when there is no compelling or urgent reason to do so. There is no need for haste in addressing Social Security. The latest Trustees' Report projects that Social

[5] Past Congresses have consistently kept Social Security's income and assets separate from broad deficit-reduction efforts – with the notable and disastrous exception of 1981, during President Reagan's first year in office. Just like today, the federal government had an actual deficit, while Social Security was projecting a deficit. In those two deficits, the Reagan administration saw an opportunity. Reagan's OMB director, David Stockman, who later referred to Social Security as "closet socialism," explained confidentially at the time to journalist William Greider that the deficits "will permit the politicians to look like they're doing something for the beneficiary population when they are doing something to it." The Reagan administration badly miscalculated. The conflation of the two deficits in budget reconciliation legislation, followed by a proposal which would have drastically reduced early retirement benefits, set off a firestorm. Seeking to quell the storm and get through the 1982 election, President Reagan established the Greenspan commission. The Commission, on whose staff I served, decided at the outset, to divorce Social Security deliberations from concerns about the deficit or Medicare. Focused exclusively on Social Security, the Greenspan commission was ultimately able to reach agreement.

Security can pay all benefits on time and in full until 2037, without any Congressional action whatsoever. While Social Security's projected deficit should be eliminated in a timely manner, waiting until after the current debate over deficits and the debt ceiling is both timely and prudent, given the program's complexity and importance.

Social Security, which has been carefully crafted over its 75 year history, provides vital economic security to virtually every American -- not only to the more than 54 million beneficiaries who receive monthly benefits but also to the more than 165 million workers who contribute and who, together with their families, are insured against the loss of wages in the event of disability, death, or old age. Current beneficiaries include millions of widows, widowers, seniors, .children who have lost parents, and people with disabilities, as well as their children and spouses.

Our brave soldiers wounded in Iraq and Afghanistan receive Social Security benefits, as do their spouses and children. So do the families of soldiers who have given their lives in defense of the nation. Though little noted, Social Security continues to provide benefits to the families of those who lost their lives in the 9/11 attacks. Social Security's benefits are crucial to the vast majority of its beneficiaries and the communities in which they live and spend.

Because Americans in the last few years have lost trillions of dollars in home equity and retirement savings, it is more important than ever that proposed changes to Social Security be addressed deliberately, thoughtfully, and in the sunshine. The importance of Social Security to virtually the entire population demands that proposals for change receive thorough consideration, with public participation by representative groups, so that the implications of all changes are closely examined and clearly understood. Any kind of expedited procedure or omnibus vehicle would be a disservice to the American people.

Congress Should Use Regular Order in Addressing Social Security, as All Past Congresses Have Done

Throughout Social Security's long history, Congress has always relied on regular order when considering Social Security. Starting with its enactment in 1935, Social Security legislation has always had the benefit of (1) full hearings before the House Ways and Means Committee and the Senate Finance Committee; (2) executive sessions which provided all members the opportunity to offer amendments; (3) unlimited debate and opportunity for amendments in the Senate; and (4) debate and amendment in the House of Representatives, consistent with its rules.

This was the procedure that was followed in the enactment of the Social Security Amendments of 1977, when Social Security faced a larger and more immediate projected deficit than it does now. Then-President Jimmy Carter proposed legislation that was considered carefully, with the benefit of full hearings before both the House Ways and Means Committee and the Senate Finance Committee. Regular order was also followed in 1983, when Congress largely followed the recommendations of the so-called Greenspan commission.

An issue as far-reaching as Social Security demands that it be addressed only after careful consideration by this Committee, where the expertise resides. Past Congresses have always dealt with Social Security responsibly and in the sunshine. There is no reason that this Congress cannot, as well.

<u>This Committee Should Clearly Define and State the Goal Before It Begins to Address Social Security's Projected Shortfall</u>

Historically, policymakers deemed Social Security solvent if its income and outgo were in actuarial balance or even close actuarial balance for a prescribed valuation period. Social Security's actuaries have used valuation periods as short as 35 years, and as long as 80 years, but since 1965, the valuation period has been 75 years.

Recently, some have advocated even tougher tests of solvency. Some argue that, in addition to projecting balance for three-quarters of a century, Social Security must be found to be sustainable in the 75th year or, even more extreme, that Social Security be solvent over an infinite time horizon.

Others appear to reject the entire concept of actuarial balance and instead want to require that the annual cash flow from Social Security's income from outside the federal government equal or exceed its expenditures. The effect of this goal would be to ignore Social Security's investment income and reserves -- in essence, to have the government effectively default on legal instruments backed by the full faith and credit of the United States. This approach represents the precise sort of diversion of worker contributions which Congress should take great pains to avoid and indeed to vociferously discredit.

To provide perspective on what the appropriate goal should be, it is important to recognize that three quarters of a century is a longer valuation period than that used by private pensions and, indeed, by most other nations with respect to their Social Security programs. Moving the goal posts even further away – requiring an infinite time horizon or even sustainability in the 75th year – simply makes the job of policymakers harder, without commensurate gain in security, because the farther out one projects, the less trustworthy those projections become. Even more pernicious is the so-called cash flow argument. Social Security has always had a reserve to smooth out differences between contributions and benefits. Between 1958 and 1983, for example, Social Security drew on its investment income or drew down principal in fourteen different years to cover the cost of benefit payouts. It is the effort to negate the existence of these reserves and the accompanying claims that Social Security is in deficit -- when it actually is in surplus when all of its income is appropriately counted -- that has understandably caused Americans to be suspicious and angry toward politicians whom they suspect of stealing their Social Security contributions.

Before policymakers begin to focus on solutions, they should be in clear agreement on how they wish to define solvency In particular, unless the cash-flow argument is clearly and vociferously put to rest, Congress will be unable to convince the American people

that Social Security is solvent, even if legislation is enacted which the actuaries project restores Social Security to long-run actuarial balance.

Most fundamentally, it is important to remember that solvency is not the ultimate goal. The goal is the provision of some measure of economic security to the American people. Deciding how to finance that goal is crucial, but simply the means to that end.

<u>In Addressing Social Security, Congress Should Follow the Will of the People</u>

Social Security's scheduled benefits are completely affordable. The gap between Social Security's projected benefits over the next 75 years and its projected income is just 0.7 percent of GDP. At its most expensive, once the baby-boom generation is fully retired, Social Security is projected to cost just 6.1 percent of GDP, considerably less than the current percent of GDP that a number of industrialized countries are spending today on their counterpart old-age programs. The issue of how to eliminate Social Security's projected deficit is a political question, not one of economics.

There is much polarization in the country today, but Social Security is a program about which the American people are united. Poll after poll indicates that the American people by overwhelming percentages support Social Security and do not want it to be part of deficit discussions. They overwhelmingly believe that Social Security's benefits, if anything, are too low, and want its projected deficit closed by increasing its revenue, ideally progressively. They do not want benefits cut, and they do not want the retirement age increased – an approach which is mathematically indistinguishable from an across-the board cut in benefits for retirees, even with respect to workers who work until age 70 or beyond.[6]

According to polling we have conducted, as well as polls of other organizations, these are the views held by Democrats, Independents, Republicans, union households, tea partiers, the young, the old, and every other age and demographic.

Some policymakers seem to believe that Social Security spending is out of control, but as discussed above, it is subject to its own spending cap. It would be paradoxical to cut Social Security deeply now to avoid less deep cuts in the future, as the co-chairs of the president's commission and others have proposed.

What most Americans support -- eliminating Social Security's manageable shortfall solely through increased revenue -- is the best policy solution, as well. Social Security's benefits are modest by virtually any standard, yet vitally important to the vast majority of American workers and their families. Moreover, Social Security's administrative costs comprise less than one penny out of every dollar spent, a much higher efficiency than that experienced by private sector retirement plans. In addition, with the termination and freezing of traditional pension plans and the documented serious shortcomings of 401(k)

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[6] I have appended a chart which shows the monetary impact on monthly benefits of an increase in the statutorily-defined "Retirement Age."

plans, Social Security is likely to be an increasingly important source of retirement income for the vast majority of Americans in the future.

Some on this Committee knew the late Robert M. Ball who, at the time of his death in 2008, was the world's foremost expert on the U.S. Social Security system. He devoted seven decades of his life to the protection and improvement of Social Security. His words and recommendations are still highly relevant today. In an Op Ed in the Washington Post published shortly before his death, Ball stated unequivocally that in today's world, it is "the essence of responsibility to insist on no benefit cuts." That same view is shared by numerous other experts. I have appended a letter, for the Committee's information, signed by 276 academics and other Social Security experts who "recommend strongly that Social Security's manageable shortfall, still decades away, should be eliminated without cutting benefits, including without raising the retirement age."

Fortuitously, the best politics with respect to Social Security is also the best policy.

In Addressing Social Security's Projected Shortall, Congress Should Retain Social Security's Fundamental Features Which Have Stood The Test Of Time

Social Security has often been called the nation's most successful domestic program. Its ingenious structure explains the success. Social Security has always embodied basic American values: reward for work, shared responsibility, prudent conservative management, compassion, focus on the family, and the recognition that after a lifetime of hard work, Americans have earned an old age of independence and dignity.

From the moment of its enactment, Social Security has carefully balanced the twin concerns of equity and adequacy. From the start, Social Security's benefits sought to provide a fair benefit for contributions. The higher a worker's wages and contributions, the higher the benefit a worker receives in absolute dollars. Simultaneously, from the beginning, the benefit structure has provided larger proportionate benefits to those whose lifetime earnings are lower, in recognition that they have less discretionary income and so need more of their wages replaced. It has provided benefits as a matter of right. In recognition that we are one people, it treats everyone the same. No matter one's economic status, everyone who contributes to Social Security for the requisite number of quarters receives, as a matter of right, a fair benefit in the event that insured wages are lost as a result of disability, death with family left behind, or old age.

I urge the members of this Committee, in evaluating proposals for changes to Social Security, to be especially alert to proposals which would change this fundamental, time-tested structure. An affluence or means test would end the universality of Social Security. Scaling back on benefits for better-off workers would undercut the fairness of the system, which so carefully calibrates the relationship between contribution input and benefits received.

The soundest way to strengthen Social Security is to build on the foundation that has been constructed over the last three-quarters of a century. Social Security is a legacy and trust which deserves to be addressed with the utmost care and deliberation, so it can be passed along as a legacy to future generations.

STRENGTHEN SOCIAL SECURITY
...don't cut it.

April 12, 2011

President Barack Obama
The White House
Washington D.C. 20500

Dear Mr. President:

As experts on Social Security, the federal budget or the economy, we write to correct a commonly held misconception – that Social Security somehow contributes to the federal government's deficit. In fact, Social Security's Old Age and Survivors Insurance Trust Fund and its Disability Insurance Trust Fund are prohibited from paying benefits unless those funds have sufficient income and assets to cover the cost, and they have no borrowing authority to acquire the requisite income and assets. Consequently, Social Security is prohibited by law from deficit-spending and thus contributing to the federal deficit.

We also write to point out that Social Security's benefits are modest both compared to those of other industrialized countries and in absolute terms. Its administrative costs are also modest, amounting to less than a penny of every dollar expended. The modest size yet increasing importance of Social Security's life insurance, disability insurance, and old age annuities, given the trends in private sector retirement arrangements, savings, home equity and stock values, leads us, as a policy matter, to recommend strongly that Social Security's manageable shortfall, still decades away, should be eliminated without cutting benefits, including without raising the retirement age.

Sincerely,

1. Henry J. Aaron, Ph.D., Senior Fellow, Economic Studies, Brookings Institution
2. W. Andrew Achenbaum, Ph.D., Professor of Social Work and History, University of Houston
3. Randy Albelda, Ph.D., Professor, University of Massachusetts, Boston
4. Carolyn Aldana, Ph.D., Professor Emeritus of Economics, California State University, San Bernardino
5. Sylvia A. Allegretto, Ph.D., Economist, Institute for Research on Labor and Employment, University of California, Berkeley
6. Nancy J. Altman, J.D., Co-director, Social Security Works, top aide to Alan Greenspan in his position as Chairman of the 1982-83 Social Security Commission
7. Edwin Amenta, Ph.D., Professor of History and Sociology, University of California, Irvine

8. Nancy Amidei, M.S.W., Director, Civic Engagement Project, Emeritus Faculty, University of Washington School of Social Work
9. Alice H. Amsden, Ph.D., Barton L. Weller Professor of Political Economy, Department of Urban Studies and Planning, Massachusetts Institute of Technology
10. Greg Anrig, Vice President of Policy and Programs, the Century Foundation
11. Richard Arenberg, M.A., Adjunct Lecturer in Public Policy and American Institutions, Brown University; Adjunct Lecturer in Political Science, Northeastern University
12. William Arnone, J.D., Independent Consultant; Partner Emeritus, Ernst & Young, LLP; Founding Member, National Academy of Social Insurance
13. Michael Ash, Ph.D., Associate Professor, University of Massachusetts, Amherst
14. M. V. Lee Badgett, Ph.D., Director, Center for Public Policy & Administration; Professor of Economics, University of Massachusetts, Amherst
15. Dean Baker, Ph.D., Co-director, Center for Economic & Policy Research
16. Erdogan Bakir, Ph.D., Assistant Professor of Economics, Bucknell University
17. Radhika Balakrishnan, Ph.D., Professor of Women's and Gender Studies, Rutgers University
18. Stephen Baldwin, Ph.D., Economist, Retired
19. Robert Jonathan Ball, L.C.S.W, Ed.D., Social Security Works Advisory Committee
20. Nina Banks, Ph.D., Associate Professor, Bucknell University
21. Edward Berkowitz, Ph.D., Professor of History and Public Policy and Public Administration, George Washington University
22. Alexandra Bernasek, Ph.D., Professor, Colorado State University
23. Merton Bernstein, J.D., Professor Emeritus, Washington University, St. Louis
24. Tom Bethell, Independent Social Insurance Policy Analyst, Editor and Co-author with Robert M. Ball of *Straight Talk About Social Security* and other publications
25. Deepak Bhargava, Executive Director, Center for Community Change
26. Cyrus Bina, Ph.D., Distinguished Research Professor of Economics, University of Minnesota (Morris Campus)
27. Josh Bivens, Ph.D., Economist, Economic Policy Institute
28. Robert Binstock, Ph.D., Professor of Aging, Health, and Society, Case Western Reserve University
29. Barry Bluestone, Ph.D., Dean, School of Public Policy and Urban Affairs, Northeastern University
30. Mark Blyth, Ph.D., Professor of International Political Economy, Brown University
31. Eileen Boris, Ph.D., Hull Professor and Chair, Department of Feminist Studies, Director, Center for the Study of Women and Social Justice, University of California, Santa Barbara
32. Roger Bove, Ph.D., Associate Professor, Retired, West Chester University
33. Gerard Bradley, M.A., Research Director, New Mexico Voices for Children
34. Ruth A. Brandwein, Ph.D., Dean and Professor Emeritus of Social Welfare and former Director, Social Justice Center, Stony Brook University
35. Bobbie Brinegar, M.S.W., Executive Director, OWL-The Voice of Midlife and Older Women
36. Byron Brown, Ph.D., Professor of Economics, Michigan State University
37. Clair Brown, Ph.D., Professor of Economics, University of California, Berkeley

38. E. Richard Brown, Ph.D., Professor, University of California Los Angeles, School of Public Health
39. John Burbank, M.P.A., Executive Director, Economic Opportunity Institute
40. Barbara Burt, M.Ed., Executive Director, Frances Perkins Center
41. Donna Butts, Executive Director, Generations United
42. Al Campbell, Ph.D., Professor Emeritus of Economics, University of Utah
43. Martha Campbell, Ph.D., Associate Professor, Economics, State University of New York, Potsdam
44. Jim Campen, Ph.D., Professor Emeritus of Economics, University of Massachusetts, Boston
45. Nancy K. Cauthen, Ph.D., Sociologist and Independent Consultant
46. Gamze Cavdar, Ph.D., Assistant Professor, Colorado State University
47. Charles Chittle, Ph.D., Professor, Bowling Green State University
48. David Coates, Ph.D., Worrell Professor of Anglo-American Studies, Wake Forest University
49. Alan B. Cohen, Sc.D., Professor of Health Policy and Management, Boston University School of Management, Executive Director, Boston University Health Policy Institute
50. Laura Coker, Ph.D., Associate Professor, Wake Forest University School of Medicine
51. William E. Connolly, Ph.D., Krieger-Eisenhower Professor, Political Science, Johns Hopkins University
52. Fay Lomax Cook, Ph.D., Director, Institute for Policy Research and Professor of Human Development & Social Policy, Northwestern University
53. David Crary, Ph.D., Associate Professor, Eastern Michigan University
54. J. Kevin Crocker, M.A., Undergraduate Program Director and Lecturer, University of Massachusetts, Amherst
55. James Crotty, Ph.D., Professor Emeritus of Economics, University of Massachusetts, Amherst
56. Yanira Cruz, D.P.H., M.P.H., President & CEO, National Hispanic Council on Aging
57. Jeff Cruz, Executive Director, Latinos for a Secure Retirement
58. Bill Cunningham, Associate Director of Legislation, American Federation of Teachers
59. Anita Dancs, Ph.D., Assistant Professor, Western New England College
60. Paul Davidson, Ph.D., Editor, Journal of Post-Keynesian Economics; Chair of Excellence, Professor Emeritus, University of Tennessee
61. Charles Davis, Ph.D., Professor of Labor Studies, Indiana University
62. Susan Davis, Ph.D., Associate Professor, Economics & Finance, Buffalo State College
63. Jayne Dean, Ph.D., Associate Professor, Wagner College
64. Patricia Elizabeth Dilley, J.D., L.L.M., Professor of Law, Levin College of Law, University of Florida
65. G. William Domhoff, Ph.D., Research Professor in Sociology, University of California, Santa Cruz
66. Peter Dorman, Ph.D., Faculty in Political Economy, Evergreen State College
67. Kirstin Downey, author of *The Woman Behind the New Deal* (Random House, 2009); and former economics reporter for the *Washington Post*

68. Richard Du Boff, Ph.D., Professor of Economics Emeritus, Bryn Mawr College
69. Lloyd Dumas, Ph.D., Professor of Economics, University of Texas at Dallas
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Cuts in Retirement Benefits Resulting from Raising the Retirement Age to 69

STRENGTHEN SOCIAL SECURITY ...don't cut it.

Age at which worker starts receiving benefits	Statutory "Retirement Age" of 65	Statutory "Retirement Age" of 67	Statutory "Retirement Age" of 69	Percent decrease by changing from age 65 to 67	Percent decrease by changing from age 67 to 69	Percent decrease by changing from age 65 to 69
62	$800	$700	$610	12.5%	12.9%	23.8%
63	$867	$750	$655	13.5%	12.7%	24.5%
64	$933	$800	$700	14.3%	12.5%	25.0%
65	$1,000	$867	$750	13.3%	13.5%	25.0%
66	$1,080	$933	$800	13.6%	14.3%	25.9%
67	$1,160	$1,000	$867	13.8%	13.3%	25.3%
68	$1,240	$1,080	$933	12.9%	13.6%	24.8%
69	$1,320	$1,160	$1,000	12.1%	13.8%	24.2%
70	$1,400	$1,240	$1,080	11.4%	12.9%	22.9%

Explanatory Note: This chart illustrates the impact on monthly benefits that results from changing Social Security's statutory "Retirement Age." It is based on a hypothetical worker whose wage record entitles him or her to $1,000/month at the statutory "Retirement Age." The dollar amounts will vary with a worker's particular wage record, but the percentage reductions shown are the actual reductions for all workers. They do not vary with earnings. The dollar amount shown is the benefit paid monthly for the rest of the worker's life, adjusted only for inflation once it has begun to be received.

Age 65 is the statutory "Retirement Age" for beneficiaries born prior to 1938; age 67 is the statutory "Retirement Age" for beneficiaries born 1960 or later. 42 U.S.C. §416(l) The earliest age a worker can claim Social Security old age benefits is age 62. 42 U.S.C. §402 Fiscal Commission Co-Chairs Erskine Bowles and Alan Simpson have proposed increasing the statutory "Retirement Age" to age 69. Although their proposals stipulate that the earliest eligibility age will be increased to 64, for illustrative purposes this chart assumes that it will remain age 62 even if the statutory "Retirement Age" is raised to age 69.

42 U.S.C. §402(q) and §402(w) specify the actuarial adjustments when benefits are claimed before or after the statutory "Retirement Age." §402(w)(6)(D) provides that for workers reaching age 62 after 2004, benefits are increased by two-thirds of 1% for every month of work, up to age 70, after the statutory "Retirement Age," and that is the adjustment factor used in the chart. As a matter of historical fact, the transition to a larger adjustment factor and to a higher statutory "Retirement Age," meant that when the statutory "Retirement Age" was 65, the adjustment factors varied with year of birth, in accordance with §§402(w)(6)(A), (B), and (C).

Source: The benefit amounts in the chart were calculated by Nancy J. Altman, Co-Director, Social Security Works. They have been reviewed for accuracy by the Chief Actuary, Social Security Administration.