AREF
American Retirees Education Foundation

NRLN
NATIONAL RETIREE LEGISLATIVE NETWORK

Protecting Social Security and Retirees' Faith in America's Promise

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There is a straight-forward solution to ensuring Social Security for current and future retirees, but from the outset elected officials must be clear that, first and foremost, Social Security is not a welfare program paid for by the U.S. Government. The more than 67 million Social Security beneficiaries and their former employers have paid into the Social Security Trust that was created in 1935. In fact, beneficiaries paid in from 1937-42 and the first payout wasn't until 1942. Every year since 1983, the payroll tax for Social Security has generated tens of billions of dollars in surplus, every dollar of which was borrowed by Congress to cover other federal spending.

Social Security Trustees reported on May 6, 2024, that the Old-Age and Survivors Insurance (OASI) Trust Fund, which pays retirement and survivors benefits, will only be able to pay scheduled benefits on a timely basis until 2033. At that time, the fund's reserves will become depleted and continuing tax income will only be sufficient to pay 79% of scheduled benefits.

The Disability Insurance (DI) Trust Fund, which pays disability benefits, is projected to be able to pay 100% of total scheduled benefits through at least 2098.

Social Security is funded by payroll taxes and cannot, by law, add a penny to the federal debt. Furthermore, by law, Social Security cannot pay benefits unless it has sufficient income to cover the cost, and it has no borrowing authority to make up any shortfall. Therefore, the NRLN believes the long-term funding of Social Security should be considered on its own and not become entangled in the deliberations on the debt ceiling and to reduce the nation's deficit.

The NRLN Supports Switching to CPI-E

There have been NO benefits added to the Social Security system, other than Cost of Living Adjustments (COLA), since 1961. CPI-W, which is determined by the Bureau of Labor Statistics in the Department of Labor, is the official measure used by the Social Security Administration to calculate COLAs. The NRLN supports switching from CPI-W to CPI-E for the calculation of COLA. CPI-E is the Consumer Price Index for Americans 62 years of age and older. While both CPI-W and CPI-E measure the same goods and services, CPI-E factors in around 11% of its index for healthcare cost. The CPI-W only counts 5.6% of the overall index as healthcare expenses.

The NRLN Opposes Raising the Social Security Eligibility Age

The NRLN opposes the House Study Committee's proposal to raise the full Social Security retirement age. Those now age 59 would see an increase in the retirement age of three months per year beginning in 2026. The retirement age for full benefits would reach 69 for those who turn 62 in 2033. Now full benefits can be received at age 67.

The NRLN contends that raising the retirement age diminishes lifetime benefits. While some are willing and able to work more years, individuals who have worked in physically demanding jobs and/or have health issues may not be capable of extended years of labor.

The 1983 the Greenspan Commission moved full retirement age from 65 to 67 in 2022 for anyone born in 1960 or later, in essence spreading out benefits. This change in retirement age cut benefits an average of 13%. The 1983 increase in the eligibility age for Social Security didn't decrease the federal budget deficit then, nor will it do so now. Moreover, longevity gains that proponents cite for increasing the eligibility age have been concentrated among more affluent Americans. A higher retirement age will require Americans to attempt to remain employed when hiring trends in the private sector favor younger rather than older workers. Indeed, a projected longer life span does not translate to a longer employment career or a sustained guarantee for the same quality of life. Unless Congress intends to compel companies to retain older workers until they reach the age of full Social Security eligibility, the proposal to increase the retirement age will harm older Americans as well as the U.S. economy at the same time.

Increase the Payroll Tax Until the Trust Is Actuarially Sound

Congress must act to save Social Security for the post baby-boomer generation, those born 1946-1964. Current and past Administrations and Congresses have known this fact and have done nothing to effectively prepare for them since the last round of changes in 1983. In addition, the growth of the over age 65 group from 2030 forward will be our children, grandchildren and great grandchildren, turning age 65 and living longer.

Social Security's funding gap should be closed – but not by cutting its benefits. The NRLN supports closing the funding gap through a modest increase (possibly between 0.5% and 1.5%) in the current payroll tax rate of 6.2% for employees and 6.2% for employers. Remove the 2024 cap which is $168,600 and make all wages subject to the tax. The payroll tax rate should be reduced when the Social Security Trust Fund reaches the 75-year projected period.

It is in the best interests of the NRLN's more than 2,000,000 retiree members that Congress should raise the Social Security tax rate and make all wages subject to the tax until such time as the Social Security Trust is again adequately funded actuarially. This commitment should also require that once the Trust is adequately funded, tax rates and maximum wages taxed should be lowered to maintain actuarial funding only. The NRLN maintains that this is the only practical and ethical solution, and one that keeps faith with the American public.

The Social Security Administration's Office of the Chief Actuary calculated that completely eliminating Social Security's taxable maximum would close about 70% of the shortfall and extend the trust fund's life to about 2060.

The average Social Security retirement benefit as of February 2024 was $1,862 per month. (The average disabled worker and aged widow each received less) One in every five U.S. residents, collected Social Security benefits in February 2024. While older adults make up about four in five beneficiaries, another one-fifth of beneficiaries received Social Security Disability Insurance (SSDI) or were young survivors of deceased workers.

In fact, 97 percent of older adults (aged 60 to 89) either receive Social Security or will receive it, according to Social Security Administration estimates. Without Social Security benefits, about four in ten adults aged 65 and older would have incomes below the poverty line. Social Security benefits are lifting more than 16.5 million older adults above the poverty line.

Social Security provides the majority of income to most older adults. For about half of this group, it provides at least 50 percent of their income, and for about one in seven older adults, it provides at least 90 percent of their income, according to a Census Bureau study.

Social Security is especially important for women, because they tend to earn less than men, take more time out of the paid workforce, live longer, accumulate less savings, and receive smaller pensions. Women represent more than half of Social Security beneficiaries in their 60s and seven in ten beneficiaries in their 90s. In addition, women make up 95 percent of Social Security survivor beneficiaries.

Social Security is a particularly important source of income for groups with low earnings and less opportunity to save and earn pensions, including Black and Latino workers and their families, who face higher poverty rates during their working lives and in old age.

It is important to understand that 15% of women and 12% of men rely on Social Security for over 90% of their income. Also, 21% of married couples on Social Security rely on it for over 90% of their income. And 45% of single retirees rely on social security for over 90% of their income.

Summary of NRLN's Positions:

- The NRLN believes the long-term funding of Social Security should be considered on its own and not become entangled in the deliberations on the debt ceiling and to reduce the nation's deficit.

- Social Security's funding gap should be closed - but not by cutting its benefits. The NRLN supports closing the funding gap through modest increases (possibly between 0.5% and 1.5%) in the current payroll tax rate of 6.2% for employees and employers. Remove the 2024 cap which is $168,600 and make all wages subject to the tax. The payroll tax rate should be reduced when the Social Security Trust Fund reaches the 75-year projected period.

- The NRLN supports switching from CPI-W to CPI-E for the calculation of COLA. CPI-E is the Consumer Price Index for Americans 62 years of age and older. While both CPI-W and CPI-E measure the same goods and services, CPI-E factors in around 11% of its index for healthcare cost. The CPI-W only counts 5.6% of the overall index as healthcare expenses.

- The NRLN opposes the House Study Committee's proposal to raise the full Social Security retirement age. Those now age 59 would see an increase in the retirement age of three months per year beginning in 2026. The retirement age for full benefits would reach 69 for those who turn 62 in 2033. Now full benefits can be received at age 67.

- The Social Security Trust in the future should be insulated from access by Congress and its funds should never again be loaned out (as a piggybank) to cover other government spending.