AARP

As a co-sponsor of three national forums this year on Social Security, as well as the host of many of our own public events, AARP strongly values the importance of educating the public about the Social Security program, its financing, and the options for strengthening it over the long term. Social Security enjoys unparalleled popular support among Americans of all ages, and the public believes in a continuing strong role for the program in the future. The question before the White House Conference on Social Security, and ultimately our nation's leaders, is how to preserve Social Security's fundamental protections and strengthen the program for generations to come.

Now is the time for thoughtful deliberation and careful analysis – a time to build consensus for any changes necessary. Fortunately, there is no crisis. Social Security is on solid financial footing for the foreseeable future. Without any change in current law, the program can pay all the benefits currently promised until 2032 and about 75 percent for decades thereafter. Just as we have done before, we will need to make some prudent changes to Social Security. While we need not adopt hasty solutions, acting sooner rather than later means the changes can be more moderate and those affected will have more time to adapt their retirement plans.

As we consider the options, we should recognize Social Security's value and uniqueness. It provides lifetime income protection for workers and their families against financial hardship resulting from the retirement, disability, or death of a wage earner. Social Security is the primary and only assured source of retirement income for most older Americans. Social Security provides a guaranteed income stream, adjusted annually for inflation, that you can't outlive. In fact, without Social Security, almost half of older beneficiaries would be in poverty. Social Security's current benefit levels are particularly essential for low-income and long-lived retirees. The benefits guarantee a base of income for those who are least able to save or who have no pension benefits. Social Security also provides the only long-term disability coverage for 3 out of 4 workers, as well as life insurance protection for 98 percent of the nation's children. The combined value of Social Security's survivor and disability components for a worker, a spouse and two children is estimated at a half million dollars.

Social Security is the foundation for family income protection on which workers can add pensions and individual savings in order to build a secure retirement. This approach to retirement spreads the risk and responsibility among the government (Social Security), employers (pensions) and individuals (savings and investments). Despite this goal, two out of three older beneficiaries today count on Social Security for at least half of their income, and nearly one third rely on it for at least ninety percent of their income. Social Security's predominant role reflects shortcomings in the pension and savings components. Our elected officials should consider the entire retirement income framework as they examine the options and tradeoffs for modifying Social Security. As we evaluate solutions to provide adequate retirement income security, we must recognize

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Joseph S. Perkins *President* Horace B. Deets *Executive Director*

the interaction between changes in Social Security, pensions, and savings, including retirement income incentives in the tax code.

While most experts agree that some modifications will be needed to strengthen Social Security over the long-term, there is considerable disagreement about what is the best approach. Historically, solvency packages have included a balance of benefit reductions and revenue increases. The report of the 1994-l 996 Social Security Advisory Council added a new element into the picture: private market investment (sometimes referred to as privatization). It is tempting to view the private markets as the "free lunch" that helps avoid the tough choices, but as we all know, there is no free lunch.

Even if market investment is part of the solution – either by individuals investing a portion of their payroll taxes or through alternative investment of the trust funds themselves – it is important to understand that other changes will still be necessary. In fact, if a portion of existing payroll taxes is used for private accounts, the underlying program will have less revenue to fund the benefits of those currently or soon to be receiving them. This would require dramatic cuts in benefits well beyond what is currently needed in order to restore long-term solvency. After a long transition period from the current system to a restructured system that includes individual accounts, some investors may be able to amass a sufficiently large portfolio to offset the benefit cuts. However, many others would not, particularly when one factors in higher administrative costs and uncertain investment returns. While individual savings for retirement are critical, retirement savings accounts should be an addition to, not a replacement for, Social Security's lifetime benefits.

AARP has a number of principles and policies that will guide us as the Social Security issue moves forward. We recognize that current beneficiaries, particularly those who are most vulnerable, are less likely to be affected by any solvency package. However, we think that all who participate and are able should make some contribution to strengthening Social Security. We believe the program should continue to provide a solid income foundation for workers who retire (including those who retire early), for wage earners who become disabled, and for the families of deceased workers. We support linking benefits to a worker's time and earnings in the labor force and providing benefits to all who earned them. And, once benefits begin, they should be adjusted for inflation so that workers do not become poorer in real terms as they become older.

Social Security is the solid foundation on which income security is built, and all of us have a role to play in ensuring that we strengthen the program. As we look at ways to reform Social Security, we must not jeopardize the guaranteed benefit base that Social Security provides. In addition, each of us has a responsibility to plan for the future through pensions and individual savings. We must also remember that health care has become an increasingly critical part of retirement security. While Social Security should continue as the foundation, a secure retirement also requires sound coordinated public policy on Medicare, private pensions, and individual savings.

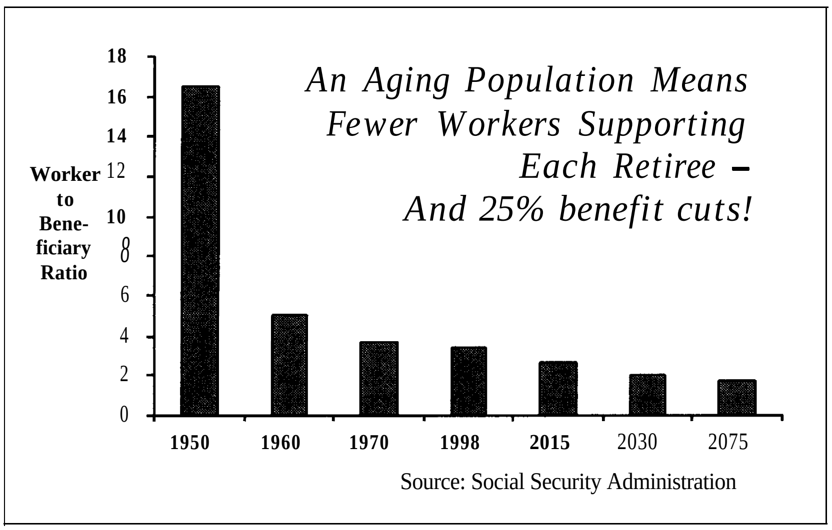
The Alliance for Worker Retirement Security

The Alliance for Worker Retirement Security was launched this fall by the National Association of Manufacturers to bring together a diverse group of business, public policy, and other activists in support of Personal Retirement Accounts as a solution to the crisis facing Social Security.

Under Executive Director Leanne Abdnor, its membership has grown to include such groups as the National Association for the Self-Employed, the United Seniors Association and the National Federation of Independent Business.

While many of our members support various specific proposals for reform, all have agreed that tax increases are no longer a viable means of propping up the Social Security system and have embraced the fundamental principle of allowing workers to invest a portion of their mandatory retirement savings in wealth-building accounts that can be left to heirs. AWRS also believes that existing benefits *must* be preserved for the currently- and near-retired, and that a government-guaranteed safety net be maintained against poverty in old age.

As the attached graph indicates, the crisis facing Social Security is one of simple demographics. Once 17 workers supported each retiree, but today it is three and soon only two. The government's own projections make clear that seniors face a long-term reduction of 25 % in benefits – an average of $200 a month – if nothing is done. Those who oppose Personal Retirement Accounts have made no indication of how they would close this multi-trillion dollar gap.



The AWRS recently spearheaded the launch of a national "Campaign to Save and Strengthen Social Security." At our media event in the U. S. Capitol, a diverse group of more than 40 organizations – from women's and minority groups to taxpayer and small business associations – was joined by Senators Chuck Robb (D-VA) and Rick Santorum (R-PA) in committing themselves to the principles outlined above. (A joint statement is attached.)

All believe that only Personal Retirement Accounts are capable of saving and strengthening the Social Security system to the point that it can provide sufficient benefits to guarantee a dignified retirement for Baby Boomers and their children. The tens of millions of workers and other individuals whom we represent understand the crisis facing Social Security, and polls show they are eager to embrace the potential for growth and opportunity offered by market-based reform.

The wealthy have long enjoyed the benefits of what Sen. Daniel Patrick Moynihan of New York has called "the miracle of compound interest" ; building wealth and sharing in America's prosperity and economic growth. It's time America's workers were allowed to join them.

Campaign to Save and Strengthen Social Security

December 2, 1998

TO: President Bill Clinton, Congressional Leaders
FROM: Campaign to Save and Strengthen Social Security

The Social Security system, America's most popular government program and the foundation of retirement security for millions of workers, is rapidly approaching a crisis of demographics. The Social Security system is facing a shortfall of $9 trillion and today's young workers face a negative return on their lifetime FICA contributions. It has become clear that the traditional solution of raising payroll taxes is no longer viable.

We, the undersigned organizations, representing tens of millions of Americans in fields ranging from academia to manufacturing, jointly announce a national campaign to promote the reform of Social Security according to the following principles:

- Preservation of the existing benefit levels for the currently and near-retired;
- Permitting workers to invest a portion of their FICA contributions into individually-controlled and owned Personal Retirement Accounts; and
- Protecting all retirees with a government-guaranteed safety net.

We urge the nation's political leadership to work together to save and strengthen Social Security with creative and growth-oriented solutions to the crisis facing all of us, for the benefit of our own and future generations.

Alliance for Worker Retirement Security
Small Business Survival Committee
Economic Security 2000
Third Millennium
Heritage Foundation
National Association for the Self-Employed
National Federation of Independent Businesses
United Seniors Association
Americans for Tax Reform
Sixty Plus
America's Future Foundation
The Seniors Coalition
Council for Government Reform
Business Roundtable

American Farm Bureau Federation
Hispanic Business Roundtable
National Restaurant Association
U.S. Chamber of Commerce
Dorcas Hardy, retired Social Security Coimnissioner
Coalition on Urban Renewal And Education
Citizens for a Sound Economy
National Taxpayers Union
National Association of Woman Business Owners
Empower America
Competitive Enterprise Institute
Boomers USA
Center for New Black Leadership
Gypsum Association

National Small Business United
National Retail Federation
Alliance for Affordable Services
American Small Business Association
National Association of Manufacturers
IRET
National Center for Policy Analysis
American Greeting Card Association
Council on Economic Development
Employment Policy Foundation
American Legislative Exchange Council
Independent Women's Forum

AMERICAN
ASSOCIATION OF
UNIVERSITY
WOMEN

SOCIAL SECURITY REFORM

For more than a century, the American Association of University Women (AAUW) has promoted equity in the workplace, education, and in all aspects of women's lives. AAUW has long been committed to a Social Security program that improves the social status and economic security of the elderly. As the 106th Congress considers proposals to reform the current Social Security system, the economic well-being and security of women must be safeguarded. It is critical that the following factors be considered:

Women are more dependent on Social Security than men.

- *Women earn less than men.* For every dollar men earn, women earn 74 cents, which translates into lower Social Security benefits. In fact, women earn an average of $250,000 less per lifetime than men-considerably less to save and/or invest in retirement.

- *Women are half as likely as men to receive a pension.* Twenty percent of women versus 47 percent of men over age 65 receive pensions. Further, the average pension income for older women is $2,682 annually, compared to $5,73 1 for men.

- *Women do not spend as much time in the workforce as men.* In 1996, 74 percent of men between the ages of 25 and 44 were employed full-time, compared to 49 percent of women in that age group. Women spend more time out of the paid work force than do men in order to raise families and take care of aging parents.

- *Women live longer than men.* A woman who is 65 years old today can expect to live to 85, while a 65 year old man can expect to live to 8 1. Because women live longer, they depend on Social Security for more years than do men.

Women need guaranteed benefits they can count on.

- *The poverty rate among elderly women would be much higher if they did not have Social Security benefits.* In 1997, the poverty rate among elderly women was 13.1 percent. Without Social Security benefits it would have been 52.2 percent. For elderly men, the poverty rate is much lower at seven percent. If men did not have Social Security benefits, the poverty level among them would increase to 40.7 percent, a smaller increase than for women.

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- *Social Security benefits are the only source of income for many elderly women.* Twenty-five percent of unmarried women (widowed, divorced, separated, or never married) rely on Social Security benefits as their only source of income. It is the only source of income for 20 percent of unmarried men.

- *Older women of color are poorest in retirement.* Only 25 percent of African American and 33 percent of Hispanic women have income from savings or assets. The poverty rate is particularly high among African American women over age 65, at 28.9 percent.

Any Social Security reform must increase the stability and security of retirement income, including maintaining and protecting:

- *Full cost of living adjustments.* The current Social Security system protects against inflation, a crucial protection against the erosion of benefits. This provision is particularly important to women because they live longer, rely more on Social Security, and lack other sources of income. Pensions and personal savings accounts are rarely indexed to inflation, and retirees may outlive those assets.

- *A progressive benefit formula.* Social Security should continue to replace a larger share of low-income workers' past earnings as a protection against poverty, and beneficiaries who earned higher wages during their work life should continue to receive benefits related to their earnings history. The current benefit formula compensates women for lower lifetime earnings.

- *Spousal benefits.* Social Security's family protection provisions help women the most. Social Security provides guaranteed, inflation-protected, lifetime benefits for widows, divorced women, and the wives of retired workers. Sixty-three percent of female Social Security beneficiaries age 65 and over receive benefits based on their husbands' earning records, while only 1.2 percent of male beneficiaries receive benefits based on their wives' earning records. These benefits offset the wage disparity between women and men.

- *Disability and survivor benefits.* Social Security provides benefits to three million children and the remaining care-taking parent in the event of premature death or disability of either working parent. Spouses of disabled workers and the widows of workers who died prematurely also receive guaranteed lifetime retirement benefits. These benefits have enabled women to hold their families together under tragic circumstances.

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Public Policy & Government Relations Department
December 1998

AFGE OPPOSES *ALL* FORMS OF SOCIAL SECURITY PRIVATIZATION

The American Federation of Government Employees, AFL-CIO (AFGE) is equally opposed to privatizing Social Security into a system of individual accounts or privatizing the investment of the OASDI Trust Fund.

The arguments against individual accounts are well known: They undermine the progressive character of the program, they put too much risk on individuals, they are inefficient (costing hundreds of millions in unnecessary fees and profits to Wall Street firms), and the transition is costly, requiring tax increases, benefit cuts, and/or retirement age increases.

AFGE's opposition to *"collective" or "direct government"* stock market investment have to do with: (a) the impact on the federal budget, (b) the loss of democratic/popular control over the investment of the Trust Fund, (c) the inherent risks to benefits, and (d) the fact that the "rate of return" arguments which favor privatization cannot be reconciled with the Social Security Trustees' projections of a Social Security solvency problem.

- *Collective private investment would have an enormous and harmful impact on the federal budget.* Investing even as little as 40 to 50 percent of the Trust Fund in private equities would require initial federal outlays of between $60 and $80 billion. In the context of balanced budget politics, this money would have to come either from spending or new taxes. We predict massive spending cuts, affecting federal jobs and benefits, as well as further general budget pressure on the programs and agencies all Americans depend on. Indeed, some backers of this proposal consider the attendant reduction in government spending its highest virtue.

- *The issue of democratic control, reflected in the debate over the benefits ofprivate vs. public investment, is an important one for working families.* Those Republicans that favor individual accounts said it would give Americans *more control* over the way their Social Security taxes were invested and that Democrats didn't trust people to have that control. The strength of this populist rhetoric is lost on advocates of collective private investment. While individual accounts give the illusion of control, the collective privatization plans explicitly prohibit any democratic control. Meanwhile the *status quo,* which provides the only real democratic control, is unappreciated for what it is.

Treasury bonds, unlike corporate bonds, are invested for the public good by those who are democratically elected to represent the public. In contrast, all plans for "collective" private investment so far have insisted upon strict rules prohibiting government "interference" in corporate governance. Trustees of a privatized financing system for Social Security would have a fiduciary responsibility to support corporate plans to maximize profits. Unfortunately, maximizing profits has increasingly come to mean shipping American jobs overseas, compromising the environment, and violating the rights of workers both in the U.S. and abroad.

• *Privatizers may hope for the best, but the majority of Americans who depend on Social Security must prepare for the worst.* There have been several sustained downturns in the private equity markets since the establishment of Social Security, some of a magnitude which would have threatened the ability of a privatized Social Security Trust Fund to pay full benefits. Yet Social Security, entirely insulated from fluctuations in the private equity markets, has never missed a payment in 60 years.

There is no way that advocates of collective private investment can guarantee that if the stock market investments do not perform as promised, benefits will not be cut. On the contrary, there is every reason to believe that Americans will be told that they collectively accepted the risks of the stock market when they "agreed" to private investment and must swallow benefit cuts or tax increases to keep the system "in balance." The "political risk" from privatization easily equals the "market risk" with respect to benefit guarantees.

• *It is important to remember that the proverbial "pot of gold" may not be waiting at the end of the rainbow.* Advocates of privatization --either collective or individualized -- claim that stock market investment can "solve" Social Security's funding problems over the next 75 years by yielding a higher rate of return than the current financing system. They base this argument on models that assume economic growth in the future similar to that of the past. That assumption is inconsistent with the Social Security Trustees' projections that U.S. economic growth rate will decline from an average of roughly 3.5% over the past 75 years to 1.5% over the next 75 years. It is this questionable forecast that is used to suggest Social Security faces a funding problem beginning around 2032.

Privatization advocates cannot have their cake and eat it too. We cannot have both fast and slow economic growth in the same years. One set of projections must be wrong: Either there is no looming Social Security financing problem, or stock investments would exacerbate the problems, rather than be part of the solution.

• *The "rate of return" arguments advanced by privatization advocates are a red herring.* The issue goes deeper than whether Mutual Fund appreciation is higher than a Treasury bond yield. Rate of return in the context of a social insurance program like Social Security is more profoundly about our government's role in income redistribution, and whether Social Security benefits should replace a higher portion of the pre-retirement income of low and middle-wage earners than it does for high income earners.

Social Security's progressive benefit structure gives a superior "rate of return" to those in the bottom half of the income distribution, the same Americans who are likely to rely upon Social Security for almost all of their retirement income. This group would have nothing to gain in terms of "rate of return" from any version of Social Security privatization.

• *The 50,000 workers at the Social Security Administration, represented by AFGE, are the best in the business.* Private sector insurance companies and pension investment firms have administrative overhead averaging 40% ,while SSA's overhead costs are just under 1% of benefits.

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White House Conference on Social Security: AFSCME Viewpoint

The American Federation of State, County and Municipal Employees -- with over 1.5 million public employee and public retiree members -- believes that the Social Security system is our nation's greatest achievement for American workers. Rising from the financial instability of the '29 stock market crash and Great Depression, Social Security has provided basic income protection to millions of workers and their families for 60 years. Its disability, survivors and old age benefits keep more Americans out of poverty than all income-tested assistance programs combined.

There is no financial crisis in Social Security. Full benefits will be paid on time for another 35 years. The system will face a 25% shortfall after 2032, but we believe it is a manageable problem that can be solved with the right mix of benefit changes and revenue enhancers. Certainly, there is no need to dismantle or dramatically alter a system that continues to serve its constituents so well.

AF'SCME strongly opposes using any portion of the Social Security payroll tax to fund unreliable personal retirement investment accounts. Social Security was designed to protect American families from risk by providing *guaranteed* benefits and a secure *foundation* for retirement income. Introducing risk to such a system makes no sense at all. This is not to say that AFSCME frowns on personal investing for retirement. In fact, we've negotiated hundreds of workplace savings plans on behalf of our members and encourage them to participate by taking as much risk as they can afford.

But investing is a gamble. So, we urge our members not to gamble with their most basic income -- the money they need for food and shelter. For most Americans, turning over a portion of Social Security to private accounts means risking the food money. They can easily end up with lower returns than expected, or outlive their accounts.

Also, personal accounts schemes are very expensive. Providing promised payments to current beneficiaries while diverting payroll taxes to fund private accounts for younger workers would mean billions of dollars in new costs. These costs could only be met by big benefit cuts or big tax hikes. Clearly, every payroll-tax dollar that's diverted to private accounts is a dollar added to Social Security's eventual shortfall.

In most of the private accounts schemes already proposed, benefit cuts figure prominently. **AFSCME opposes these cuts, particularly raising the normal retirement age beyond current law** (which already provides for a gradual rise from 65 to 67 by 2027). Many of our older members work in physically strenuous jobs, such as sanitation and nursing. Many more are in poor health. But proposals to raise the retirement age to as high as 70 would require that they either stay on the job or take significantly reduced Social Security benefits -- a decision that could destroy their health and quality of life. Millions of Americans would face this dilemma.

So, raising the normal retirement age would be both impractical and cruel. The same can be said for another often-heard Social Security proposal: mandatory coverage of state and local government workers. The history of this issue dates to 1935, when the original Act excluded all public employees from Social Security participation. The law has been gradually amended over the years, allowing public employee groups to join the system voluntarily. Today, 75% of state and local government workers participate in Social Security. Law requires that the other 25% be covered by employer-sponsored retirement systems, most of which are traditional defined-benefit pension plans.

While the vast majority of our members participate in Social Security and depend on its protection, **AFSCME *strongly opposes* mandatory coverage of public employees who work in jurisdictions that do not participate in Social Security -- even if the coverage would apply only to new hires.** Following are reasons we believe mandatory coverage is unnecessary, and would be harmful to our current and future members:

Public Workers already covered by pension plans: State and local government employees who are not in Social Security are covered under public pension plans that were designed to *replace* Social Security's basic retirement and disability protection and provide some additional pension benefits; they do not need another retirement system that would duplicate the coverage they have now. **Big expense for workers and employers:** Mandatory coverage would be a big expense for newly hired workers and their public employers. While private sector pension plans usually require no direct contribution from employees, employee contributions in these public plans average between 8 and 9% of pay; employer contributions average between 13 and 14%. Social Security payroll taxes of 6.2% for both worker and employer would be added to these amounts.

New tiers mean lower benefits: Faced with a mandate to contribute to Social Security, many public employers will attempt to reduce their costs by integrating their public retirement plans with the national system. This would force a restructuring of the plans for new hires and the establishment of separate tiers that would provide lower benefits to future retirees. **An opening for privatizers:** Since many legislators would like to replace traditional "defined benefit" public pension plans with risky "defined contribution" plans (akapersonal *investment accounts),* restructuring retirement systems to accommodate Social Security would clearly add fuel to this fire. The fire could easily spread beyond these plans to endanger *all* state and local government pension plans.

Destabilizes pension plans for-current participants: If new hires are put into separate and restructured retirement plans, it would cut off new funding to the existing plans on which *current* workers and retirees depend. This would reduce investment capital and plan assets, threatening benefits for *current* participants. **Higher taxes:** If mandatory Social Security coverage requires governments to expend more resources on public pension plans, it could mean higher state and local taxes.

Not a good solution anyway. Bringing new state and local employees under Social Security won't solve the system's future shortfall. Estimates show it will extend the life of the Trust Fund *by only* two *years.* In the long run, it could actually lead to greater outlays for Social Security as new beneficiaries become eligible for benefits.

AMERICAN FEDERATION OF TEACHERS
A F L • C I O

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American Federation of Teachers
Statement
on
Social Security Reform

Below are the principles adopted by the American Federation of Teachers which will guide our union in working to develop a program to assure the financial stability of the Social Security system for the next 75 years.

It is our strongly held belief that the maintenance of the Social Security benefit is essential to protect future beneficiaries as well as assuring future workers that reasonable benefits will be there for them when they retire.

For more than 60 years, Social Security has been the most successful and broadly supported federal government program providing basic living standards to thousands of our parents and grandparents, and raising many retiree households out of poverty.

Further, Social Security is one of the pillars of retirement income for American workers and provides guaranteed retirement, survivorship and disability protection to more than 44 million Americans at all stages of life.

Finally, the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund estimates that the Trust Funds will be solvent for the next 30 years, providing time to discuss and examine alternative solutions with deliberation and care.

The American Federation of Teachers believes that any proposed remedies should meet the following principles:

- **Consider solutions within the existing Social Security structure that maintain economic security for current and future generations by guaranteeing an inflation–adjusted retirement income that permits older family members to live in dignity and reduces the economic burden on younger family members of caring for their parents, grandparents, aunts, uncles, brothers and sisters.**

- **Provide universal insurance protections for dependent and surviving children and spouses of a deceased family wage earner as well as disabled and retired workers.**

- **Reject radical solutions, like using Social Security resources to finance private accounts that require significant reductions in guaranteed benefits or increases the retirement age.**

- **Maintain a larger share of past earnings for low-income workers, as in the present system, and continue to provide larger benefits to workers who earn higher wages during their careers.**

- **Support covered workers who expect to receive Social Security benefits after a career of work and non-covered workers by maintaining their anticipated non-Social Security benefits on which they base their employment decisions.**

- **Support President Clinton's proposal to use the federal budget surplus to strengthen the current Social Security system.**

- **Support pension coverage for all workers who do not have a pension and provide for adequate benefits and funding for workers with pension coverage**

Finally, there is a proposal that is of special concern to our union. That proposal is to mandate Social Security coverage for presently uncovered state and local employees. While this proposal sounds reasonable, it ignores the fact that on average both local governments and workers each contribute 8 percent of their wages to finance local retirement systems. Forcing each to pay an additional 6.2 percent for Social Security could lead to the dismantling of state retirement systems, placing in jeopardy the benefits of current state and local retirees as well as those of future state and local retirees. This proposal should not be considered.

AFT looks forward to working on a equitable Social Security reform package. Social Security is one of our greatest achievements as a nation, and it must be preserved.

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A F B

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Incorporated in 1921

Statement of the

American Foundation for the Blind

to the

White House Conference on Social Security

December 8, 1998

The American Foundation for the Blind (AFB) is honored by the invitation to participate in the White House Conference on Social Security. We appreciate the opportunity to share our concern that any discussion of fundamental reform of the Social Security system must include a careful analysis of the impact of such reform proposals on Social Security disability programs.

The mission of the American Foundation for the Blind is to enable people who are blind or visually impaired to achieve equality of access and opportunity that will ensure freedom of choice in their lives. AFB fulfills this mission primarily by preparing and disseminating information resources, educating policymakers about the needs and capabilities of people who are blind or visually impaired, and advocating the development and implementation of sound public policy. A non-profit organization founded in 1921 and recognized as Helen Keller's cause in the United States, AFB is a leading national and international resource for blind individuals and the professionals who serve them.

Our nation is embarking on a historic debate about the future of Social Security. As we begin this discussion, it is vitally important to remember that Social Security has an impact on much more than retirement. Disability-related programs administered by the Social Security Administration (SSA), such as Social Security Disability Insurance (SSDI), serve as a safety net for more than eight million adults and children with disabilities, including hundreds of thousands of people who are blind or visually impaired. Any deliberations concerning the reengineering or reform of America's social insurance system, to be complete, must incorporate disability as a major theme.

From the Social Security program's earliest beginnings, AFB has worked tirelessly to strengthen the program's wage/income supports and healthcare protections. Most recently, AFB has led the field of blindness in advocating for improvements to the "work incentive" provisions in current law. We look forward to working with the President and the 106th Congress to achieve these legislative objectives.

Aside from the larger issues around solvency, a number of disability-related reforms should be explored. Many of SSA's customers with disabilities are calling for simplification of the impossibly complex web of disability program rules, fairness and consistency in the application of the rules, and elimination of those rules that penalize work. In particular, blind consumers are calling for an end to the "earnings cliff"--the loss of SSDI cash benefits and the ultimate loss of health care coverage merely by earning one dollar in wages above the prescribed limits. Congress should enact a gradual reduction in SSDI benefits as earnings increase. Such a reduction might look like the current scheme applicable to retirees age 62-64 who see a reduction of one dollar in Social Security benefits for every two dollars in earnings they make over the threshold. Enacting this change will eliminate the pernicious earnings cliff.

Additionally, Congress should eliminate the two-year waiting period for Medicare coverage imposed on SSDI beneficiaries and provide for extended Medicare coverage for those who return to work. Congress should also expand access to personal assistance services under Medicaid, such as attendant care, readers and personal assistance with transportation to-and-from work.

Finally, AFB remains committed to the principle of restoring the statutory linkage that once existed between blind SSDI beneficiaries and retirees age 65-69. Restoring this Social Security Act cross-reference would raise substantially the earnings limit applicable to beneficiaries who are blind.

AFB urges the President and Congress to move quickly to enact these much needed incentives to work. By enacting these changes, we will go a long way toward creating a social insurance program based on common sense and sound public policy. With a jobless rate among people who are blind remaining at approximately 74%, we need to craft public policy that provides people who are blind with the tools to achieve independence.

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UNDERSTANDING SOCIAL SECURITY: THE ISSUES AND ALTERNATIVES

The American Institute of Certified Public Accountants (AICPA) released, on the eve of the White House Summit on Social Security, a comprehensive, non-partisan analysis of the major options to reform Social Security in an effort to aid legislators in what is expected to be a complex and contentious debate in the 106th Congress. "It lends a cold, hard, objective eye to various reform options and their effects on all segments of the population – including widows, the very old and minorities," said David A. Lifson, chair of the organization's Tax Executive Committee.

"Decision makers need facts – not spin," said Lifson. "Before Congress takes a position on the 'right' solution for Social Security reform. the AICPA strongly urges policymakers and the public to have a clear understanding of the issues."

Some of the facts highlighted in the study, *Understanding Social Security: The Issues and Alternatives,* include:

- Social Security keeps the majority of Americans over 65 out of poverty; in fact, for 40 percent of America's elderly, Social Security accounts for more than 75 percent of total income at retirement.
- About 90 percent of current retirees receive only $750 per month, on average, from Social Security, and future retirees will likely receive even less.
- Serious pockets of poverty still exist for the elderly, and therefore there is a corresponding reliance on Social Security income. Older women are twice as likely as men to be in poverty and for both African Americans and Hispanic Americans, the elderly poverty rates hover at approximately 25 percent – about two and a half times larger than that for white Americans.
- The number of workers to every 1 beneficiary continues to decline. In 1960, the worker-to-beneficiary ratio was 8.6 to 1, currently it is 3.3 to 1 and is projected to be 2.2 to 1 in 2025.

"Reform will have a far-reaching effect on all Americans, and current and future beneficiaries must understand the implications of reform in order to reach a consensus, and to gain broad acceptance of a new system," said Daryl Jackson, chair of the AICPA's Social Security Task Force and invited participant to the White House Summit on Social Security, which is scheduled to begin in Washington on December 8. "That's why this study is so important – it's the definitive resource for the Social Security debate."

Among the major issues examined in the AICPA's study are:

- The Current Financial Condition of Social Security
- Social Security and Poverty in America
- Social Security and Individual Fairness (in terms of benefits and investments)
- Social Security and the National Economy
- Social Security and the Stock Market
- Options for Reform

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The study takes an in-depth look at six major reform options including:

- The Maintenance of Benefits Proposals
- The Individual Accounts Proposal
- The Personal Security Account Proposal
- Feldstein-Samwick Personal Retirement Account Plan
- The Moynihan Social Security Solvency Act of 1998
- The 2 1 st Century Retirement Security Plan

"With the aging of the Baby Boomers, time is no longer on our side," said Jackson. "The debate about Social Security reform, adoption of new legislation, and an effective transition from the old to the new must happen in the near – not distant – future. The longer we delay, the more difficult and painful the solution will become."

The AICPA collaborated over two years with a group of leading CPAs, tax specialists and economic analysts to develop the study.

The AICPA is the national professional association of CPAs with more than 330,000 members in public practice, business and industry, government and education. The AICPA is the first national professional membership association to be IS0 9001 certified in recognition of its quality management and assurance practices.

Summary Evaluation of Options for Reform

	Soundness: *Improves Condition of Fund?*	**Money's Worth:** *Impact on Average Rate of Return?*	**Poverty:** *Degree of Redistribution to Low Incomes?*	**Growth:** *Probable Impact on Saving?*	**Growth:** *Probable Impact on Labor Supply?*
I. Reduce benefits					
A. Across the board	Yes	Reduces	Less	More	More
B. Only for high-wage workers	Yes	Reduces	More	More	More
C. Increase retirement age	Yes	Reduces	Depends	More	More
II. Increase revenue					
A. Raise payroll tax rate	Yes	Reduces	Depends	More	Less
B. Raise ceiling on taxable earnings	Yes	Reduces	More	More	Less
III. Improve return on assets					
A. Invest trust fund in equities	Yes	Increases	No effect	No effect	No effect
B. Individual accounts	No effect	Increases	Less	Increases	More

Understanding Social Security: The Issues and Alternatives can be found on the AICPA's Internet website at www.aicpa.org/members/socsec.htm.

SOCIAL SECURITY
Americans Discuss Social Security

A project funded by The Pew Charitable Trusts

Americans Discuss Social Security

Over the past year, Americans Discuss Social Security (ADSS) has conducted a series of events intended to foster discussion and gauge public opinion on the question of Social Security reform. We have produced and distributed hundreds of thousands of copies of public education kits, discussion guides and videos to citizens across the country. Our engagement efforts have reached millions of Americans through teleconferences linking citizens in 15 states with each other and with decision-makers and policy experts in Washington, through forums in another 10 states and through a series of forums on college campuses across the nation. Additionally, ADSS has commissioned eight separate public opinion polls. The findings from all of these activities have been forwarded to Congress and the Administration.

This experience has yielded important lessons about how Americans feel about Social Security. They do care deeply about the program, but do not think that policymakers in Washington understand how people like themselves feel about changes to the program. They are willing to learn more about Social Security and the reform measures that have been proposed. Most important, they want their voices to be heard in the reform process.

The debate over Social Security reform often presents "stand alone" options for people to consider as measures to insure Social Security's future solvency. One of them, for example, would raise or eliminate the current cap on income subject to the payroll tax ($68,400 in 1998) -- a consistently popular option, even, somewhat surprisingly, among people with incomes exceeding $60,000 per year. But, as the "year of national conversation" has progressed, it has become clear to most citizens that there is no single solution to the program's future financial difficulties and that trade-offs are necessary. When put in this context, the public's fundamental priorities become clearer.

A recent ADSS survey examined some of the tradeoffs people might be willing to make. Consider the proposal to raise the full-benefit age to 70. Three-quarters of Americans (74 percent) oppose this – including those between 18 and 49 years of age. Opposition decreases, however, when people are asked to choose between raising the full-benefit age and reducing benefit amounts. Then, 54 percent choose raising the eligibility age rather than cutting benefits.

The survey found that a majority (52 percent) supports the idea of allowing individuals to invest some of their payroll tax contributions themselves, in some form of "individual retirement account." But, when forced to choose between individual accounts and the guarantee of an exact benefit, 61 percent choose the guarantee.

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There is strong support (63 percent) for keeping the Social Security trust funds safe – even at the risk of a lower rate of return – rather than putting those funds in the stock market, where they might earn more. A majority (66 percent) of this group stay with their safekeeping position, even if doing so means that benefits for future retirees have to be cut; 71 percent of them would accept paying higher payroll taxes before seeing the trust funds invested in the stock market.

There have been no proposals by reformers to raise the payroll tax rate (currently 6.2 percent for both employer and employee) and, indeed, 54 percent of Americans oppose raising payroll taxes. But, when asked to choose between tax increases and future cuts in benefits, 55 percent accept the higher taxes.

The bottom line is that a majority of Americans attach importance to maintaining benefit levels, guaranteeing those benefits and keeping the trust funds safe from losing value, even if choosing these priorities means accepting unpleasant consequences. There is strong support for continuing Social Security's safety net for the elderly, to keep them out of poverty and to help them maintain their dignity in retirement. And, most Americans expect that all segments of society will have to make concessions to achieve the major changes they believe are needed to bolster Social Security

Americans' views on Social Security are deeply felt but not immutable. Views can and will change as people learn more about the program and the trade-offs. Policymakers may be able to reach bipartisan consensus on changes in the program, some of which may go against the grain of current public opinion. Public acceptance of even these changes can be achieved if Americans are informed and educated about them as the policy process proceeds. While this process will need to take place, at times, behind closed doors, the negotiators must keep their lines of communication open, to hear what the public is saying and to bring the public along with them as decisions are taken. If they proceed without appropriate public education, they do so at their own peril.

Carolyn J. Lukensmeyer, Executive Director

[Americans Discuss Social Security (ADSS) is a non-partisan effort funded by The Pew Charitable Trusts. Our mission is to engage Americans from all walks of life in a nationwide conversation about the future of Social Security so their views can influence policymakers as they shape its future. ADSS does not take any position on the issue.]

Statement of
Majority Leader Norma Anderson
Colorado House of Representatives, Senator-Elect, Colorado Senate
Co-Chair, NCSL Taskforce on Social Security Reform

Mr. President, the White House Conference on Social Security begins an unprecedented opportunity for the nation to re-examine Social Security. State legislatures are willing to work with you to find solutions. The nation's state legislators feel very strongly about one aspect of Social Security reform, the extension of mandatory Social Security coverage to new state and local government employees. **NCSL vigorously opposes any efforts to extend mandatory coverage to additional groups of state and local government employees in any package to restore solvency and integrity to Social Security.**

The Social Security Act of 1935 specifically prohibited state and local government employees from coverage, in part, because state and local government retirement plans already provided retirement benefits to these employees. State and local government plans predate Social Security and provide comparable, and in many cases, superior benefits to public employees.

State and local government retirement systems effectively provide retirement and supplemental benefits, such as health care, to state and local employees and their families. **These systems effectively manage retirement funds on behalf of public employees and are models for effective private retirement savings that should be studied for best practices, not raided as a short term fix to extend social security for two years.** State and local employees earned these funds, contributed to these plans and in many cases bargained successfully for the range of retirement benefits offered by state and local government retirement systems. State and local employees with a proven commitment to personal savings should not be punished for their planning and initiative.

Many of those critical of state and local government retirement plans have claimed that mandatory coverage is "only fair." We disagree. **It is not fair to resolve the Social Security solvency problem at the expense of public employees who have saved and planned for their retirement in good faith and in partnership with their employers, state and local government.**

States would unfairly bear the cost of restoring solvency to Social Security as illustrated in the following table. In my own state of Colorado, there are well over 200,000 state and local government employees and retirees who are not covered by Social Security. Taking new hires out of our retirement systems would endanger the solvency of our retirement plans, putting retired public employees at risk of losing healthcare, cost of living increases and other benefits. State and local government employees did not create Social Security's insolvency problem. They must not shoulder the burden in reforming the system.

Estimated Social Security Coverage of Workers with State or Local Government Employment, 1992[1]

Sorted by the Number of Workers Covered by State and Local Government Plans Only (Uncovered Workers)

[based on 1-percent sample]

State [2]	*Uncovered Workers*	*Covered Workers*	*All workers*	*% Covered*
California	1,129,000	1,069,000	2,198,000	49%
Ohio	739,000	61,000	800,000	8%
Texas	562,000	793,000	1,355,000	59%
Illinois	470,000	515,000	985,000	52%
Louisiana	282,000	114,000	396,000	29%
Massachu setts	279,000	46,000	325,000	14%
Colorado	208,000	122,000	330,000	37%
New York	120,000	1,553,000	1,673,000	93%
Georgia	119,000	461,000	580,000	79%
Michigan	116,000	674,000	790,000	85%
Kentucky	84,000	241,000	325,000	74%
Connecticut	81,000	174,000	255,000	68%
Florida	76,000	927,000	1,003,000	92%
Missouri	72,000	313,000	385,000	81%
Wisconsin	65,000	399,000	464,000	86%
Washington	63,000	374,000	437,000	86%
Nevada	61,000	32,000	93,000	34%
Maine	59,000	51,000	110,000	46%
Indiana	*58,000*	378,000	436,000	87%
Tennessee	56,000	353,000	409,000	86%
Pennsylvania	*50,000*	690,000	740,000	93%
Alaska	48,000	34,000	82,000	41%
North Carolina	47,000	532,000	579,000	92%
Virginia	47,000	471,000	518,000	91%
Maryland	39,000	357,000	396,000	90%
Alabama	36,000	324,000	360,000	90%
New Jersey	35,000	556,000	591,000	94%
New Mexico	30,000	145,000	175,000	83%
south carolina	30,000	280,000	310,000	90%
Iowa	28,000	242,000	270,000	90%
Kansas	*24,000*	233,000	257,000	91%
Mississippi	20,000	202,000	222,000	91%
Arkansas	19,000	172,000	191,000	90%
Hawaii	19,000	88,000	107,000	82%
Oregon	18,000	246,000	264,000	93%
Utah	18,000	147,000	165,000	89%
Oklahoma	17,000	250,000	267,000	94%
Arizona	16,000	324,000	340,000	95%
Montana	16,000	77,000	93,000	83%
New Hampshire	14,000	74,000	88,000	84%
Nebraska	13,000	152,000	165,000	92%
Rhode Island	13,000	61,000	74,000	82%
Wyoming	10,000	56,000	66,000	85%
North Dalrota	9,000	61,000	70,000	87%
West Virginia	9,000	145,000	154,000	94%
Delaware	5,000	60,000	65,000	92%
Idaho	5,000	108,000	113,000	96%
South Dalrota	3,000	72,000	75,000	96%
Vermont	2,000	50,000	52,000	96%
Minnesota[3]	-236,000	658,000	422,000	156%
Total for All States	**5,102,000**	**15,518,000**	**20,620,000**	**75%**

Source: 1998 Green Book (from the Off ice of Research and Statistics, Social Security Administration).

[1] Includes seasonal and part-time workers for whom State and local government employment was not their major job.

[2] Information not available for the District of Columbia, Puerto Rico, and the U.S. Territories.

[3] Figures from Minnesota appear to have been transposed in the original table. They appear here as in the original table.

Prepared by the National Conference of State Legislatures (NCSL).

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PEOPLE WITH DISABILITIES HAVE A STAKE IN SOCIAL SECURITY REFORM

Old Age, Survivors. and Disability Insurance

A common myth is that Social Security is just for people who have retired. The public debate has centered almost exclusively on Social Security retirement. However, the impact that any Social Security reform might have on the disability insurance program and the protections for survivors and dependents must also be included in any discussions concerning the future of Social Security.

People with disabilities believe it is critical to remember that the Title II old age (retirement), survivors, and disability insurance programs **are insurance programs,** earned through payment of FICA taxes, designed to remove risk from certain life events for the individual. They insure against poverty in retirement years; they insure against disability limiting a person's ability to work; and they insure dependents and survivors of workers who become disabled, retire, or die by providing a basic safety net. While retirement years can be anticipated, disability can affect any individuals and families unexpectedly at any time.

People with disabilities benefit from the Title II trust funds under several categories of assistance. Those categories include:

- disabled workers, based on their own work histories, and their dependents;
- retirees with benefits based on their own work histories;
- adult disabled children of disabled workers;
- adult disabled children of retirees; and
- adult disabled children who are survivors of deceased workers or retirees.

In fact, more than one-third of all Social Security benefits are paid to non-retirees: people with disabilities, children, and widow(er)s. For the average wage earner with a family, Social Security insurance benefits are equivalent to a $300,000 life insurance policy or a $200,000 disability insurance policy.

Beneficiaries with disabilities depend on Social Security for a significant proportion of their income. About 21 percent of beneficiaries with disabilities live in poverty, compared with rates of 13 to 15 percent for the general population in the early 1990s. The recently conducted National Organization on Disability - Harris Poll revealed significant data on employment of people with disabilities: 71 percent of working age people with disabilities are not employed, as compared to 21 percent of the non-disabled population. The capacity of beneficiaries with disabilities to work and to save for the future and the reality of their higher rates of poverty must be taken into consideration in any efforts to change the Title II programs.

Privatization Proposals

Privatization of the Social Security trust funds would shift the risks that are currently insured against in Title II from the federal government back to the individual. This could have a devastating impact on people with disabilities and their families as they try to plan for the future. The basic safety nets of retirement, survivors, and disability insurance would be substantially limited and individuals, including those with limited decision-making capacity, would be at the mercy of fluctuations in the financial markets. (Some policymakers have suggested that the federal government should take the responsibility of investing a portion of the retirement and disability trust funds in the private market with careful controls on decision-making. Since this proposal would not shift investment risk to individuals, we do not consider this "privatization" and have not opposed such investment.)

In addition, many proposals to address the very high transition costs associated with privatization would negatively affect the disability programs. Some of the proposals would make drastic cuts in benefits in the disability insurance program and significantly reduce, if not eliminate, the value of protections for the dependents and survivors of covered workers. Other proposals simply do not address the disability programs and seem to ignore the impact of other changes on people with disabilities, such as changes in the benefit formula.

Proposals to Reform Social Security

As discussions move forward, regardless of the proposal, people with disabilities must be included in analysis of the impact. It is imperative that policymakers ensure:

- Meaningful inclusion of people with disabilities and their families in discussions about the solutions to the Social Security Trust Funds projected shortfall.
- Preservation of the guarantees inherent in the disability insurance program and the protections for survivors and dependents in the Old Age, Survivors, and Disability Insurance programs of Title II of the Social Security Act.
- Protection of the integrity of the benefits provided (benefits must be at a reasonable level for support) and protection of the value of benefits (benefits must be indexed for inflation to protect their buying power).

Other Concerns

Finally, people with disabilities are concerned that the Supplemental Security Income program could potentially be affected by whatever actions are taken regarding the Title II benefit programs. For example, if there were reductions in benefits for retirees and people with disabilities, under current law, the SSI program would have to step in to support many of those who are forced further into poverty. We urge great caution in changes which might affect the SSI program

December 1998
Contact: Marty Ford, The Arc of the United States, (202) 785-3388

NOTE: This statement also reflects the position of the **Consortium for Citizens with Disabilities** Task Force on Social Security. Approximately 100 national organizations participate in CCD; 45 national organizations participate in the CCD Social Security Task Force.

Social Security Plus

ROBERT M. BALL

This plan accomplishes two goals.
It restores Social Security to long-term balance, and it establishes a simple, effective way for individuals to set up savings accounts supplemental to Social Security.

Part I: Steps to restore Social Security to long-term balance

(1) *Leverage the funds* being paid into Social Security by workers, employers, and taxpaying beneficiaries by building an earnings reserve beyond what is needed for a pay-as-you-go system and investing part of the accumulating funds in private equities in a manner similar to that of other public and private pension plans. Under this approach, a contingency reserve sufficient to pay benefits for approximately one year would be invested solely in long-term Treasury bonds. Up to 50 percent of total accumulated funds would be invested (phased in between 2000 and 2014) in broadly indexed equities funds. A Federal Reserve-type board with long and staggered terms would have the limited functions of selecting the index and the portfolio managers and reporting to the nation on the overall operations of the plan. Social Security would not be allowed to vote any stock or in any other way influence the policies or practices of any company or industry whose stocks are included in the index. The increased revenues from investing part of Social Security's accumulated funds in equities would reduce Social Security's estimated long-term (75-year) deficit by more than half, from 2.19 percent of payroll to about 0.97 percent of payroll.

(2) Modify Cost-of-Living Adjustments to reflect (a) announced or anticipated corrections to the Consumer Price Index (CPI) by the Bureau of Labor Statistics and (b) more frequent pricing of the CPI market basket. These changes reduce the long-term deficit by up to 0.45 percent of payroll.

(3) Make the program universal by covering new hires in all state and local government jobs effective 10 years after enactment of Federal legislation. (About three-fourths of state and local jobs are now covered.) This change reduces the long-term deficit by about 0.18 percent of payroll.

(4) Increase the maximum amount of annual earnings subject to Social Security tax and credited for benefits by 5 percent per year from 2000 through 2010 beyond the increase that would occur automatically under present law, thus raising the portion of taxable wages from 85 percent of payrolls in covered employment to the traditional 90-percent goal. This change reduces the long-term deficit by about 0.58 percent of payroll.

These four changes entirely eliminate the estimated long-term deficit of 2.19 percent of payroll, producing a small positive balance of 0.06 percent of payroll.

Because it allows the trust fund to continue building and invests up to 50 percent of the build-up in private equities, earning greater returns than if invested solely in long-term Treasury obligations as required by present law, this plan in contrast to others is able to eliminate the deficit without benefit cuts or increased taxation of Social Security benefits, and without any tax rate increase (although the maximum taxable earnings base is raised).

Proposed Steps to Restore Social Security to Long-Term Balance
Expressed as a Percent of Payroll
(Long-term deficit is assumed to be 2.19% of payroll, per Trustees’ 1998 estimate)

Proposed change:	*Reduces deficit:*
1 Invest part of Social Security’s accumulating funds in stocks	- 1.22
2 Adjust COLA per BLS corrections to CPI plus more frequent market-basket pricing	- 0.45
3 After 10 years, cover new hires in state and local government jobs	-0.18
4 Increase maximum earnings base to include 90% of covered payrolls	- 0.58
Actuarial balance remaining after implementing all four changes:	+0.06*

* Adjusted for interaction of changes
Source: 1998 Trustees’ Report and Office of the Actuary, Social Security Administration

Part II: Establishing individual supplemental savings accounts through Social Security

This plan’ provides a convenient and efficient way for wage-earners to add voluntary savings to Social Security, with their funds partially invested in the stock market, and without significant additional administrative costs or burdens for employers or government.

Beginning in 2000, wage-earners could have employers deduct and forward up to 2% of the earnings covered by the Social Security maximum earnings base. The additional savings would be invested in the same way as Social Security’s portfolio under this plan — 50% in stocks and 50% in Treasury bonds. Each year, when Social Security reports to all workers over age 25 on the estimated benefits they may expect (as required by the Moynihan amendment), Social Security would also report on the amounts accumulating in the individual’s supplemental savings plan, and would remind workers of the availability of this convenient way to accumulate supplemental savings to help improve their economic situation in retirement or disability or to improve their survivors’ protection in the event of death. For the first time, workers in small companies and lower-paid workers in general would have a real opportunity to build conveniently on top of their assured Social Security benefits and to participate in ownership of equities should they wish to do so. Accumulated savings could be distributed, upon eligibility for Social Security benefits, as an annuity, a lump sum, or in periodic installments. At death any undistributed amount would be part of the worker’s estate. Rules governing tax status, early withdrawal, etc., would follow IRA rules.

The essential principle of this plan, which can be expected to increase voluntary savings above the present national level, is that Social Security is in no way diminished to make room for a system of individual savings accounts. The individual accounts are entirely voluntary supplements — logical add-ons to a fully financed Social Security system providing a defined, assured basic benefit.

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ECONOMIC SECURITY
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Creating a Nation of Savers

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Hillary Beard, Executive Director, Economic Security 2000: Economic Security 2000 is the first non-partisan grassroots group dedicated to reforming Social Security. Our grassroots role was inspired in 1995 by U.S. Senators Bob Kerrey and Alan Simpson when they told us Congress would not act until 15 to 20 million Americans say, "Mr. President: Act immediately to save Social Security, and let me own a piece of my payroll taxes."

That is our crusade – to educate and provide a means for activism. Our goal is to open savings and security to all Americans.

Our staff and volunteers represent many ages, races and politics. They work tirelessly, because they believe individual accounts provide the best answer to fixing Social Security. Not one amongst them who believes the safety net can be jeopardized. Not one believes that risk should be part of Social Security reform. Not one does not fight for the concept that all Americans should have better retirement security and should be cut back into the American dream by owning wealth. I asked a few of our volunteers and staff members to write a about what they do and why. They wrote much more, so I have taken nuggets from each, to give a sense of what they do and what they hear.

Carolyn Cox, 60's, Retiree, Colorado: There is no average week in grassroots work. We work parades, fairs, service clubs, schools and senior centers to add new activists and educate. We write letters-to-the-editor and Op-Eds, refuting bad information and reinforcing that workers should own personal retirement accounts. We talk about Social Security with everyone we meet, seeking new ways to educate.

Hilary Wehner, 20's, Regional Field Director (RFD), Northeast: After long hours reaching out to schoolchildren, local service organizations and all who listen to radio and television, I lay my head down at night knowing that when real reform comes, it will be based on knowledge and the full involvement of the American people.

Damon Elder, 20's, RFD, California: Social Security reform appeals to patriotism over partisanship and is called for from all sides of the political spectrum. Our job is to increase the volume of the cry for substantive reform, and to mute the demagogic attacks of those whose love is for political gamesmanship rather than for America.

Paul Pomeroy, 20's, RFD, Mid-Atlantic: Whether making a presentation, working with interest groups, or leveraging activists, I start each week with one basic question: What am I going to do in the next seven days to save Social Security?

Mike Marshall, 30's, ES 2000 Field Director and Chairman, U.S. Jaycees, Midwest: Many say young Americans don't care. Not true. They just don't feel they have a voice. ES 2000 and the Jaycees create ways, like the Billion Byte March using email, to involve the young.

Cynthia di Lorenzi, 40's, Single Mother & Volunteer, Texas: I work on behalf of my children and for those who feel they have no voice. Never have I participated in a greater opportunity to help all Americans and the nation! Looking back, Social Security lifted millions out of poverty. Looking forward, individual accounts are required to continue that legacy. Through grassroots, I can reach out to those who feel most disenfranchised.

Eaddy Roe, 30's, RFD, Southeast: Seniors look for workable solutions, too. The proof is in the details, and many like the details of individual accounts. I have met too many who receive Social Security of under $500/month. They have nothing else. They worry about their children and grandchildren. From a 75-year old, "My son is self-employed, and he pays 15% just for himself. You young people need to get involved."

Rob Crowther (30's)/Ben Glover(20's), Volunteers, Northwest: Students get involved when we take the time to explain Social Security. When they do, the whole student body can too, as is happening at Seattle Pacific University. There, professors send classes to ES 2000 events; publications write stories; students talk to faculty, friends and family.

Billye Hansen, 50s, Volunteer, Oklahoma: I work on this so my grandchildren will not be faced with huge debt. As we approach Oklahomans about the Billion Byte March, we found approximately 98% favor some form of individualized Social Security savings.

A. Silver, 40's, RFD, New **York:** Half of all black men die before 65. They "save" through Social Security, but get nothing back. When you show how individual accounts allow minorities to own equity to leave to their children, they get excited. Still, few bother to educate low-income. When talking with low-income workers, so many say, "I want to own and invest my Social Security."

My Conclusion: As for me, I constantly am asked, "Why are you working to reform Social Security?' I am a 25-year old female Democrat. According to Washington wisdom, I should hate personal retirement accounts. Instead, I believe personal retirement accounts will benefit those Americans who have neither economic nor retirement security.

The political rhetoric makes me furious. Often, partisans use alarming technical questions to bolster their point of view, rather than solve problems. Investment risks, administrative costs, and transition costs all can be addressed. Management goals can be achieved through what Franklin Roosevelt called "bold, persistent experimentation."

Examine the $1 0,000/year worker – an income increasingly prevalent since middle-income manufacturing jobs at $35,000-$40,000/year are scarcer. At $10,000, workers pay $1,240 a year to Social Security. That is more than 60% of American families own in total savings. This $1,240/year payroll tax can help open meaningful savings. Workers understand this. An AFL-CIO poll shows their members are in favor of owning individual accounts. Support only drops off when the next question is, "Do you favor individual accounts if your taxes will go up or if benefits are cut?" This question is disingenuous. We need to be creative enough to not raise taxes or cut the below-average income safety net in the process of creating individual accounts. Adding individual accounts to Social Security is bold and uncertain. One certainty is that Social Security the old way undermines the system's goals.

Most of us share a common goal. The basic question each Social Security reformer should ask is this: If we had no Social Security in 1998 and were trying to create a system, what would the goals be and how would we achieve them? I don't think anyone would create a pay-as-you-go system. And I do think we would find a system in which the money workers earned themselves would be put to work for their own retirement.

ECONOMIC SECURITY
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Creating a Nation of Savers

WHITE HOUSE SOCIAL SECURITY SUMMIT
Sam Beard, President Economic Security 2000

Thank you very much for inviting me to participate in the White House Summit. I've had the privilege of founding and chairing economic development programs in poor urban and rural communities for four United States Presidents which have resulted in over $25 billion of investment, and I try to bring this expertise to bear on Social Security reform. Economic Security 2000 is a non-profit grassroots organization that has chapters in 41 states and 88 cities. For over five years, we have made four basic points.

- First, Social Security is the best and most vital federal program. **In every case we need to retain every penny of the Roosevelt contract of protection and the safety net.** This includes **disability insurance and survivors benefits. All safety net aspects of Social Security are not negotiable.** For low-income families, most Social Security payments are too low. Thanks to Social Security, seniors living in poverty have been reduced from 3 5 to 10.8 percent, but let's commit ourselves to reduce seniors living in poverty to zero.

- Second, the pay-as-you-go system as set up in 1935 is outdated and needs to be updated with a funded system with individually owned savings accounts invested in the private sector. With changing demographics, once the Baby Boomers retire, there will only be two workers asked to finance one senior. This ratio no longer works without excessive tax rates. One third of all women born today can expect to live to over one hundred.

- Third, the Social Security dialogue misses two key issues.
#1. Retirement insecurity. President Roosevelt talked about retirement security as a three-legged stool. Leg 1 is savings. Leg 2 is a pension. Leg 3 is Social Security, which was never meant to be more than a safety net. 60 percent of American families have limited or no savings or a pension. We need to restore Legs One and Two.
#2. The increasing wealth and income gap between the rich and the poor. On our current course, we are becoming two separate societies, which places the American Dream at risk for up to 60 percent of American families. **One third of all income comes from savings and wealth, and the bottom half of American families own less than 2 percent.** After a lifetime of work, half of all African-American and Hispanic families do not own a dime.

Participation in the American Dream requires capital. The door openers to opportunity include higher education, home ownership, business ownership, and retirement security. The opportunity lies in savings and compound interest.

- Fourth, we outline the fast-expanding American and international financial markets, which exceed $45 trillion today and will double early in the next century.

*** In 1985, 56 nations had securities markets with a total capitalization of $6.5 trillion. Today, there are close to 200 stock markets in the world valued at nearly $45 trillion.**
*** In 1980, 4.6 million households in America owned mutual funds - with total assets of $716 billion. Today, 37 million Americans invest $4.5 trillion in mutual funds. Soon the total assets of mutual funds will exceed the assets of all U.S. commercial banks. In 1998, the financial assets held by Americans for the first time passed the value of home ownership.**

What are our suggested solutions? As we are on the threshold of the **2** 1st Century, we are entering "The Equity Age." **Let's allow all Americans to benefit from the power of compound interest and own a share America's economic growth over the next century.** One choice is to shape our answers using 193 5 ideas, or we can use 203 5 ideas. As we entered the 20th Century, we entered "The Industrial Age." The symbols of "The Industrial Age" are mass production and assembly lines and Henry Ford's Model T and his $5 per day wage. This led to the "democratization of wages" and opened the purchasing power and dreams of the middle class. As we head to the 2 1 st Century, let us democratize the ownership of wealth and savings and usher in "The Equity Age."

Through Social Security, retain its progressivity and allow all Americans to set aside $500 per year, preferably $1,000 per year, into an account they own invested in the private sector. In a working lifetime, this can accumulate $150,000 (today's $ constant.) Set aside $2,000 per year, and you can accumulate over $300,000 **-** the financial assets of today's 95th percentile richest American.

The second vehicle to open equity accumulation for all is Kid Save. The original Kid Save sets aside $1,000 for every American at birth, and adds $500 per year for the first five years. This money is invested and grows for 18 years. At age 18, each American then has a nest egg of an estimated $30,000 to $50,000 for higher education, home ownership or business ownership. The money can be retained for retirement security or used as a second source of income.

Some people talk of encouraging voluntary savings. **I favor voluntary savings, but 75 percent of American families earn $50,000 or less. They are living from paycheck to paycheck and have a difficult time paying their monthly bills.** There is no surplus income for savings.

Save every penny of the Roosevelt contract and the floor of protection. Save "Security." But add individual funded accounts. Broaden the debate. Let's democratize the opportunity for wealth accumulation and embrace "The Equity Age."

ENSURING RETIREMENT SECURITY IN THE 21st CENTURY
Statement of Bradley D. Belt
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White House Social Security Conference
December 8, 1998

The National Commission on Retirement Policy (NCRP), a blue-ribbon panel of key members of Congress from both parties, business leaders, and policy experts convened by the Center for Strategic and International Studies, earlier this year released its bipartisan 21st Century Retirement Security Plan. This benchmark proposal would modernize the Social Security system while strengthening the private pension system and enhancing personal saving opportunities. It would ensure the solvency of Social Security without raising taxes.

The centerpiece of the plan is the establishment of individual security accounts, which would be funded by diverting 2 percent of current payroll taxes into individually owned, collectively managed accounts. Modeled on the successful Thrift Savings Plan for federal employees, participants would be able to invest in three broadly based index funds--an equity fund, a fixed-income fund, and a government securities fund--depending on their individual investment objectives and risk tolerance.

Restructuring the Social Security system in this way would give Americans greater control over their own financial destinies and would enable them to achieve higher rates of return on their Social Security contributions. In fact, a new CRS Report finds that the NCRP plan not only would ensure the long-term solvency of the Social Security system, it would provide substantially higher benefits than the current system (on a funded basis) or alternative plans, such as those that would have Social Security directly invest funds in the stock market.

Unfortunately, there are those who want to make political hay out of Social Security rather than save it. They would deny average Americans the opportunity to accumulate real wealth and break the cycle of dependency on government. They want to confuse rather than inform, by making spurious arguments against individual accounts.

One such criticism is that it is too risky to invest Social Security in the stock market. This is a canard for several reasons. First, the current system is risky. Benefits aren't guaranteed and can be reduced or taken away by legislative fiat. Second, investing strictly in treasury bills may be safe, but earnings likely will be insufficient to meet retirement needs. Also, market risk is spread over a person's career. There is no 40-year period in American history in which equities have not substantially outperformed treasury securities. But under the NCRP plan, those who are risk-averse can put their money in bonds or treasury bill funds. Moreover, because the funds would be collectively managed, selling abuses by brokers, a concern expressed by SEC Chairman Levitt, would not be an issue. Most importantly, the proposal would strengthen the safety net for the most vulnerable in our society by offering at least a poverty-level benefit to career workers.

The NCRP proposal to gradually raise the eligibility age for full Social Security benefits is another favorite target of critics. This is necessary to reign in costs and is sound public policy because it reflects the fact that people are leading longer lives. When Social Security was created, the average life expectancy was just 63 years. The average worker was expected to die before he or she could collect a dime. Average lifespans are expected to be about 80 years in 2030, so an indexed adjustment would suggest a normal retirement age of 83.

The most specious argument is that a system of accounts for 140 million workers is too administratively complex to implement. There are legitimate issues as to what is the most effective and efficient system that imposes the fewest burdens on employers and participants. But to suggest that it can't be done is, frankly, ridiculous. A bit of historical perspective is in order. When Social Security was created in the 1930s for the then 40 million workers, the only tools available to designers were pencil, paper, adding machines, and the mails. They had no model to follow. Today we have powerful computers, advanced telecommunications, and a variety of tested models for guidance. As noted, the NCRP plan is based upon the Thrift Savings Plan for federal employees. The TSP costs are less than ten basis points. We can make this work. And we should.

Under the leadership of Sens. Judd Gregg (R-N.H.) and John Breaux (D-La.), Reps. Jim Kolbe (R-Ariz.) and Charles Stenholm (D-Tex.); Donald B. Marron, chairman of PaineWebber; and Dr. Charles Sanders, retired chairman of Glaxo, the commission achieved what is most needed as Washington puts retirement security at the top of the agenda in 1999: a fiscally responsible, practically achievable and politically viable plan to address the retirement financing challenges each American faces.

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Statement of James E. Burton
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December 8, 1998

The Administration is considering – and several bills include – mandatory Social Security coverage of newly hired public employees and their employers. We understand that this is part of an overall program reform.

The General Accounting Office says the revenue from this specific "reform" will support the Social Security program for only 2 of the program's 75-year horizon. The issue, the advocates say, is simply a matter of "fairness," that the Social Security program should be "universal." "Fairness" is in the eyes of the beholder. It is an anomaly that those who – in other forums – advocate greater attention to public education and law enforcement would, in the name of "fairness," take funds from State and local agencies responsible for those same public services.

It is important to remember that the Social Security Act of 1935 did not establish a "universal" prograrn. State and local governments and their workers were initially specifically and intentionally excluded. Because of this, those State and local governments that had not already established their own retirement systems did so. Years later they were given the option to join Social Security voluntarily. This new proposal would have the effect of penalizing those local governments that took responsibility for their own employees by establishing their own retirement systems.

The proposal would likely be funded immediately by a mix of reduced public services, higher fees, and reductions in salaries and other benefits paid to the affected public workers. Newly hired workers and their employers could ill afford paying both Social Security taxes and contributions to their long-standing public employee retirement systems. As a result, these established retirement systems – systems that have helped build America's capital structure over the past five decades – would experience reduced new cash flow.

Over the long term – 10 to 12 years from enactment of the proposal – even fully funded public employee retirement systems would be forced to begin preserving cash to fulfill their contractual obligations to send monthly retirement checks to shrinking numbers of beneficiaries over decades.

In most State and local jurisdictions, retirement benefits become part of the employee's vested contract rights upon employment. When conflicting financial obligations are imposed upon the governmental employer, that employer must look to other options – raising taxes or decreasing services or non-vested benefits – to pay for these pension obligations. Health benefits which are generally not vested rights are likely to become one of the first casualties of the out-year impact of mandatory coverage.

There would be statewide impact in California, Alaska, Colorado, Connecticut, Illinois, Kentucky, Louisiana, Massachusetts, Missouri, Nevada, Ohio and Texas. There would be localized impact in places such as Baltimore, Phoenix and Tucson, Miami and Tampa, Winston-Salem, Memphis, and elsewhere. Nationwide, there are an estimated five million public workers currently not covered by Social Security.

In California, there are more than 1,800 public agencies currently employing about 750,000 employees – most of them teachers – not covered by Social Security.

The proposal to compel 688 California counties, cities and special districts and their newly hired workers to become a part of Social Security would require them to remit $5.5 billion over 10 years. This would be offset by reduced services to senior citizens and the disabled; and for libraries, refuse collection, recycling and parks and recreation; and perhaps even public safety.

The State's 1,026 school districts, 7 1 community college districts and 58 county offices of education, would be forced to pay billions of dollars. It is estimated that new costs would equal 7 percent of the $16 billion current annual teacher payroll or a cumulative $11.2 billion over 10 years – $11.2 billion that would otherwise be spent on new teachers to meet new reduced classroom size requirements; books for the children; and long-delayed school building maintenance.

At a time when State and local governments are being asked to do more with less, unfunded mandatory Social Security would exacerbate fiscal problems by adding enormous and complex labor issues. Newly hired employees would be required to receive lesser benefits than existing workers – maybe even lower pay. The negative impact on labor relations, recruitment and employee morale would be significant.

Devastating reductions of local public services, sharp cutbacks in education and jeopardy to existing public pension systems are very, very high prices to pay for a short-term, two-year fix for the Social Security program.

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Women Are Central to Social Security Reform Debate

Business and Professional Women/USA (BPW/USA) is the leading advocate for working women. BPW/USA represents 70,000 working women across the country in more than 2,000 local organizations nationwide.

BPW/USA's stake in Social Security reform stems from our concern about the prevalence of poverty among women in their senior years. Women live longer than men, earn less and are more likely to be dependent on Social Security for most or all of their retirement income. Thus, working women have a significant stake in the reform options currently being considered. Their voice will be crucial to building the coalition necessary to enact reform legislation.

Several factors contribute to women's vulnerability to economic insecurity in old age. A lifetime of lower wages due to the wage gap between the earnings of men and women translates into significantly less money in retirement. The U.S. Census Bureau estimates the wage gap between the earnings of men and women to be 26%. This means that women are earning on average only 74 cents for every dollar a man is paid. For African-American or Hispanic women, the wage gap is even wider.

Women remain disproportionately represented in lower-paid, female-dominated occupations. Women are much more likely to leave the workforce and three times as likely to work part-time to accommodate care-giving responsibilities. Lower earnings mean lower Social Security benefits and lower pension checks-if women are lucky enough to have pensions at all. The result is a life of poverty for far too many women in their senior years. Compounding the problem is the fact that the average woman lives seven years longer than their male counterparts.

Three out of four working women earn less than $23,000 annually. Even a disciplined saver will have trouble accumulating much in savings at that level. Thus they are more likely to be dependent on Social Security for more if not all of their retirement income.

In addition, most women don't even have a pension, regardless of its size. Women are more likely to be working in low-wage, service, part-time jobs and/or to work for small businesses-where pension coverage is the most sparse. Although about 48 percent of full-time female workers have some form of pension coverage, a majority still do not. And only 39 percent of all female-full and part-time-workers are covered.

The Leading Advocate for Working Women

Clearly, there has been some progress in expanding pension coverage. However, that progress has been undermined by ongoing structural barriers and by the overall shift away from defined benefit, or "basic pension" plans to do-it-yourself, defined contribution plans like 40 1 (k)s. Again, lower wages mean that women have fewer dollars to invest for their retirement. And again, Social Security becomes even more important.

The size of a beneficiary's benefits is based on the amount of contributions made by the worker. This is fair as long as women are paid what they are worth. Any reforms that address Social Security solvency must consider the economic reality for today's working women.

BPW/USA, working in coalition with the National Council of Women's Organizations, will participate in the public dialogue on Social Security and will assess each reform proposal based on its impact on women-the majority of Social Security recipients. BPW/USA has endorsed the National Council of Women's Organization's Social Security Check List to evaluate each reform proposal.

<u>Women's Checklist on Social Security Reform</u>

Does each reform proposal:

_____ *Continue to help those with lower lifetime earnings, who are disproportionately women?*

_____ *Maintain full cost of living adjustments?*

_____ *Protect and strengthen benefits for wives, widows and divorced women?*

_____ *Preserve disability and survivor benefits?*

_____ *Protect the most disadvantaged workers from 'across the board' benefit cuts?*

_____ *Ensure that women's guaranteed benefits are not reduced by individual account plans that are subject to the uncertainties of the stock market?*

_____ *Address the care giving and labor-force experiences of women?*

_____ *Further reduce the number of elderly women living in poverty?*

BPW/USA has had a long-standing interest in retirement security issues and Social Security reform. BPW/USA is working not only to effect change on Capitol Hill, but also to educate BPW/USA members about the importance of retirement planning and working with organizations like the Women's Institute for a Secure Retirement (WISER), to ensure a safe retirement for all Americans. In February 1999, BPW/USA is hosting a conference in Washington, DC, which will bring together several hundred working women to focus on the various Social Security reform options, particularly how they will impact women. Our goal is to empower these women to become active in the Social Security debate by encouraging them to hold Social Security forums in communities across the nation.

Business and Professional Women/USA (BP W/USA) includes 70,000 members and more than 2,000 local organizations nationwide. BPW/USA's mission is to achieve equity for all women in the workplace through advocacy, education and information.