SOCIAL SECURITY WORKS!

WHY SOCIAL SECURITY ISN'T GOING BROKE AND HOW EXPANDING IT WILL HELP US ALL

NANCY J. ALTMAN

AND

ERIC R. KINGSON

VISUAL AIDS

AMERICANS OVERWHELMINGLY AGREE ABOUT SOCIAL SECURITY

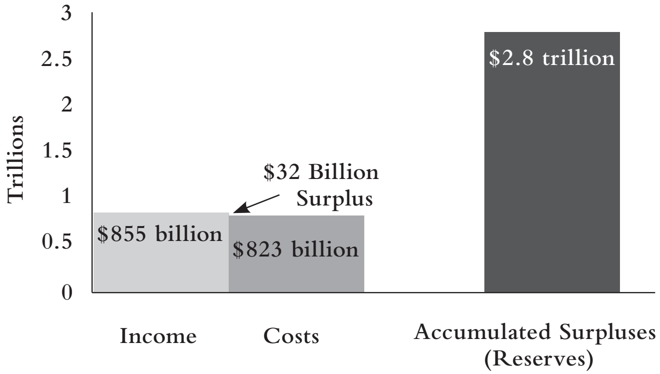
Percent Agreeing with Statements			
Respondent characteristics	Social Security benefits are more important now than ever	I don't/didn't mind paying Social Security taxes because it provides security and stability to millions	We should consider increasing Social Security benefits
Total	89%	84%	75%
Generation			
Silent	93	88	72
Baby boomer	93	86	76
Generation X	87	85	74
Generation Y	84	79	74
Family Income			
Less than $30,000	89	83	80
$30,000 to $49,999	93	90	78
$50,000 to $74,999	89	82	70
$75,000 to $99,999	87	82	71
$100,000 or more	88	86	67
Party Affiliation			
Republican	81	74	62
Democrat	94	91	84
Independent	91	86	71

Data from National Academy of Social Insurance survey, September 2012.

Source: Jasmine V. Tucker, Virginia P. Reno, and Thomas N. Bethell, "Strengthening Social Security: What Do Americans Want?," National Academy of Social Insurance, January 2013.

Figure 1.1

SOCIAL SECURITY REVENUES, COSTS, AND ACCUMULATED SURPLUSES, 2013

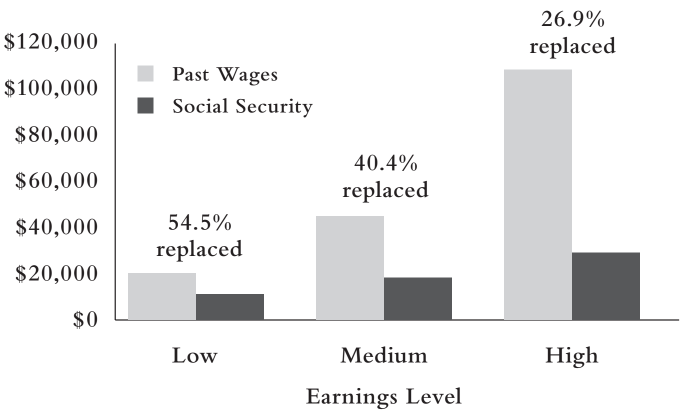


Source: "2014 OASDI Trustees Report," Table 2.B1: Summary of 2013 Trust Fund Financial Operations, U.S. Government Printing Office, July 28, 2014.

Figure 2.1

HIGHER EARNERS RECEIVE LARGER DOLLAR AMOUNTS, LOWER EARNERS RECEIVE HIGHER BENEFITS IN RELATION TO PRIOR EARNINGS

Replacement Rates for Workers Retiring in 2014 at Age 65



Note: "Medium" earners, whose career-average wage-indexed earnings ("Past wages") were about equal to Social Security's Average Wage Index (AWI: $45,128 for 2013), and who retired at age 65 in 2014, received $18,251 in Social Security benefits in 2014. "Low" earners, whose past indexed wages averaged 45 percent of the AWI ($20,308), received $11,077. "High" earners, whose past wages were at or above the Social Security contribution cap for each year from age 22 onward (averaging $108,570), received $29,209 in Social Security benefits in 2014. (Earnings in excess of the maximum contribution cap are excluded from these calculations.)

Source: Michael Clingman, Kyle Burkhalter, and Chris Chaplain, "Replacement Rates for Hypothetical Retired Workers," *Actuarial Note* 2014.9, Social Security Administration, July 2014.

Figure 2.2

AVERAGE MONTHLY SOCIAL SECURITY BENEFITS, DECEMBER 2013

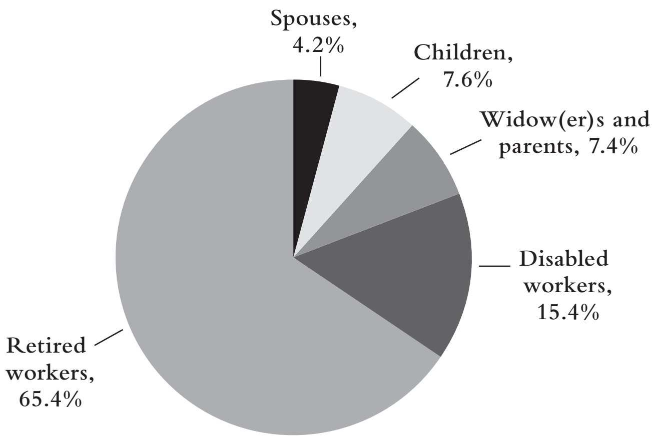
All retired workers	$1,294
Aged couple with both receiving benefits	$2,111
Widowed caregiving parent and two children	$2,593
Aged widow(er) alone	$1,243
All disabled workers	$1,146
Disabled worker, spouse, and one or more children	$1,943

Source: “Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program,” Social Security Administration, February 4, 2014.

Figure 2.3

SOCIAL SECURITY PROTECTS THE ENTIRE FAMILY

Beneficiary Categories

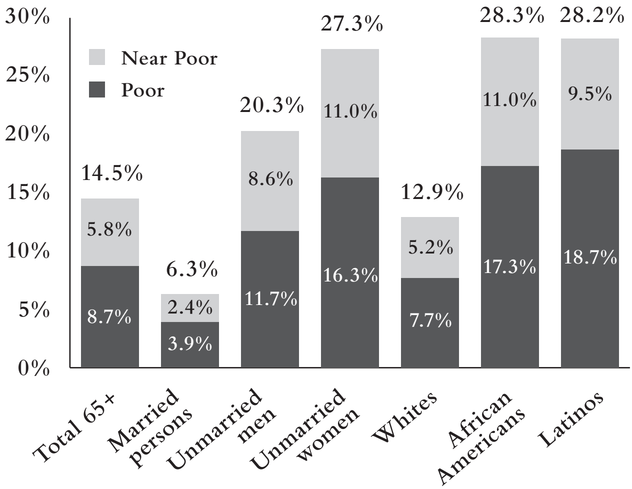


Source: “Beneficiaries as of December 31, 2013,” Social Security Administration.

Figure 2.4

SENIORS IN POVERTY OR NEAR POVERTY BASED ON OFFICIAL POVERTY MEASURE

Based on Family Income, 2011



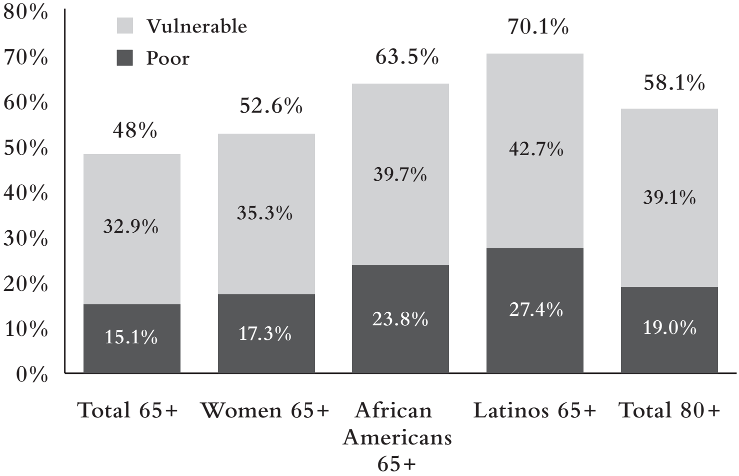
Note: "Near poverty" is defined as 125% of the poverty line, which for seniors in 2011 was $10,788 for one-person households (near-poverty threshold: $13,485), and $13,596 for two-person households (near-poverty threshold: $16,995).

Source: "Fast Facts and Figures about Social Security, 2013," Social Security Administration, August 2013, p. 9.

Figure 3.1

NEARLY HALF OF ALL SENIORS ARE ECONOMICALLY VULNERABLE

Incomes in 2011 Under 200% of New Supplemental Poverty Measure

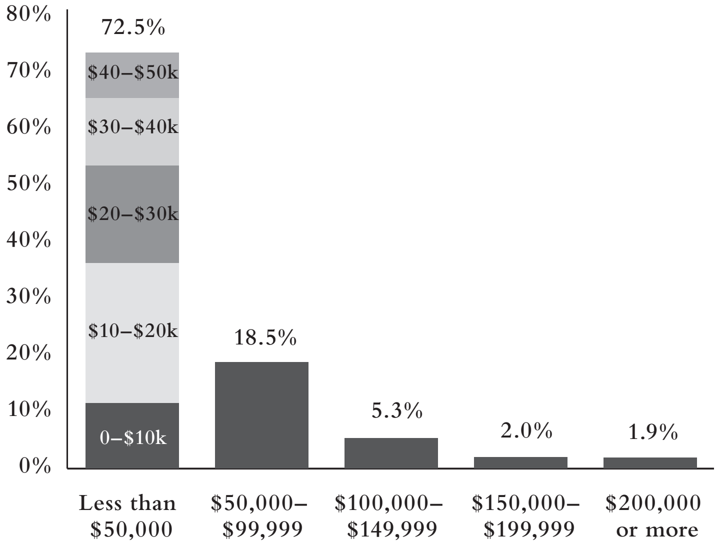


Note: Data on poverty (defined as having income less than 100% of the SPM threshold) are for 2011; data on vulnerability (defined as having income less than twice the SPM threshold) are averaged from 2009–2011. All data are based on family income.

Source: Vulnerable seniors: Elise Gould and David Cooper, "Financial Security of Elderly Americans at Risk," Appendix Table 1, Economic Policy Institute, June 6, 2013. Poor seniors: Benjamin Bridges and Robert V. Gesumaria, "The Supplemental Poverty Measure (SPM) and the Aged," Table 6, *Social Security Bulletin* 73, no. 4, June 13, 2014.

Figure 3.2

NEARLY THREE OUT OF FOUR SENIOR HOUSEHOLDS HAVE INCOMES BELOW $50,000



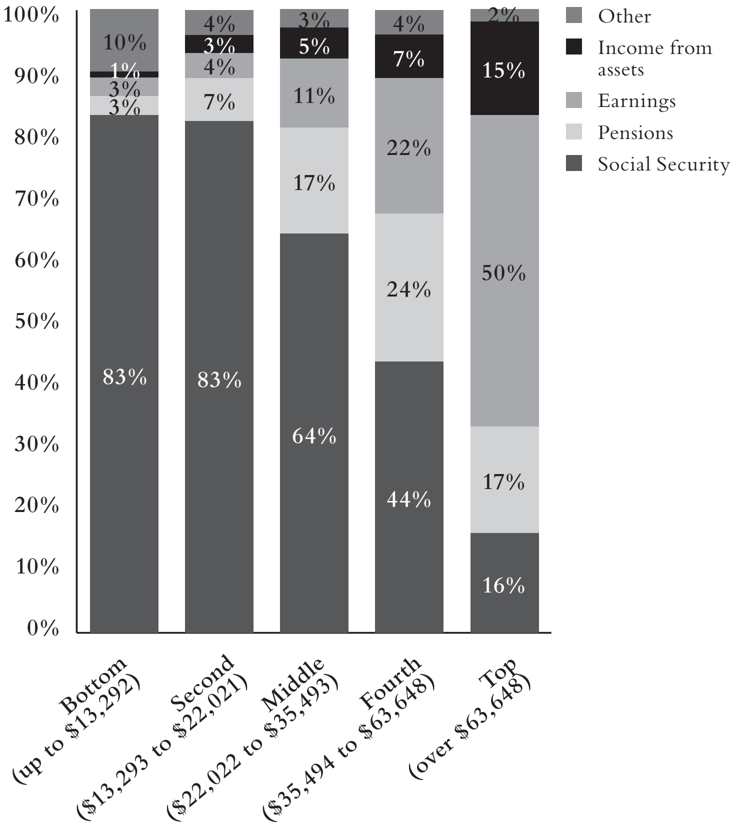
Note: 2012 income data for married couples and unmarried individuals 65 and older.

Source: "Income of the Population 55 or Older, 2012," Table 3.A1, Social Security Administration, April 2014.

Figure 3.3

SOCIAL SECURITY IS BY FAR THE LARGEST PART OF THE INCOME OF THE VAST MAJORITY OF SENIORS

Shares of Total Income for Households Age 65+ by Income Quintile, 2012



Source: "Income of the Population 55 or Older, 2012," Table 10.5, Social Security Administration, April 2014.

Figure 3.4

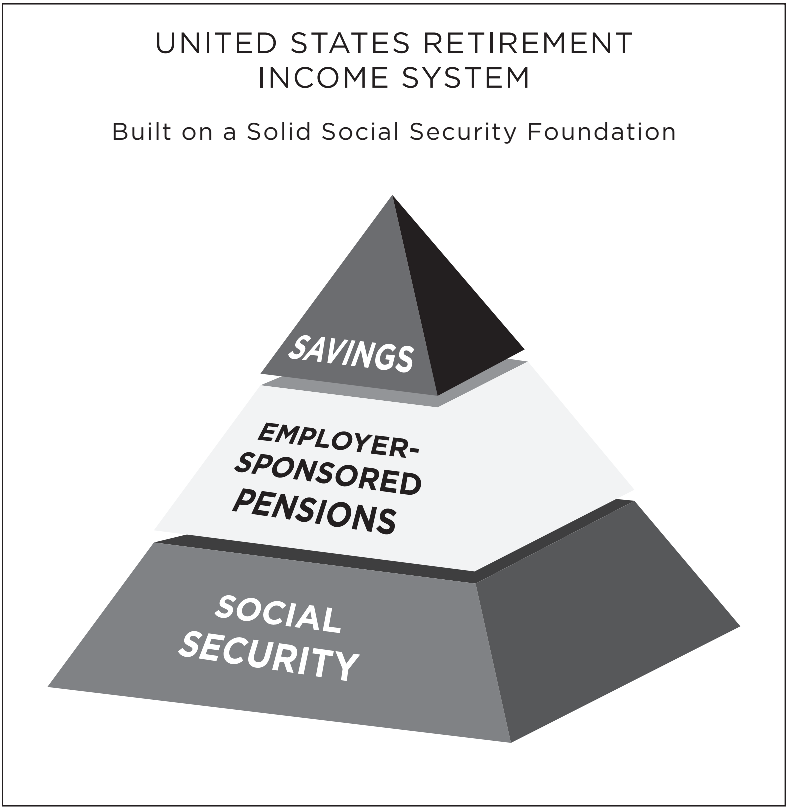
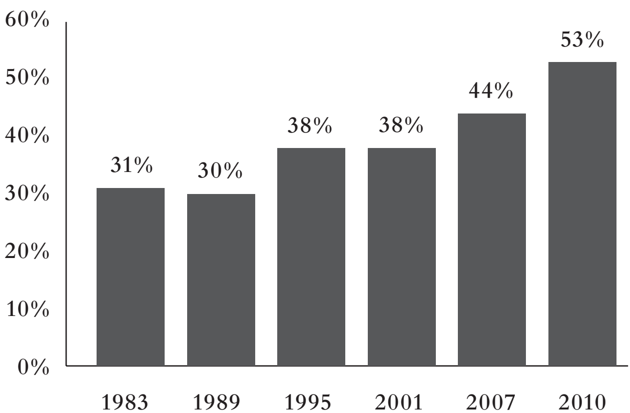

UNITED STATES RETIREMENT
INCOME SYSTEM
Built on a Solid Social Security Foundation
SAVINGS
EMPLOYER-
SPONSORED
PENSIONS
SOCIAL
SECURITY

Figure 4.1

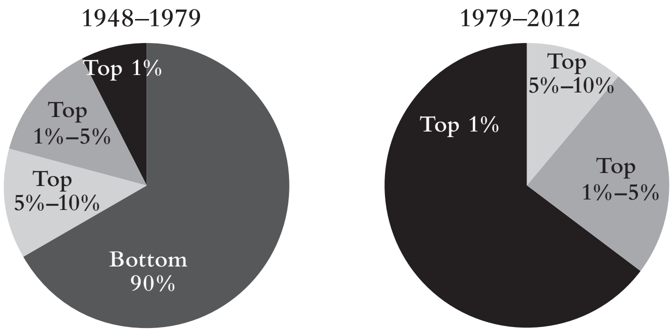
GROWING PERCENTAGE OF AMERICAN WORKERS FACE A PERSONAL RETIREMENT INCOME CRISIS



Source: Alicia H. Munnell, Anthony Webb, and Francesa Golub-Sass, "The National Retirement Risk Index: An Update," *Issue Brief* 12-20, Center for Retirement Research at Boston College, October 2012.

Figure 4.2

IN SHARP CONTRAST TO PRIOR YEARS, ALL THE INCOME GROWTH BETWEEN 1979 AND 2012 HAS GONE TO THE TOP 10%



33% of growth went to richest 10%.
67% of growth went to bottom 90%.

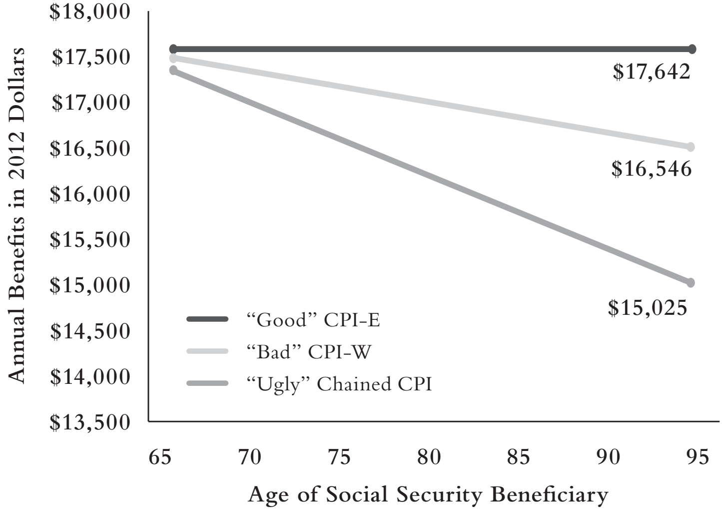
All growth went to richest 10%.
Income of the bottom 90% declined.

Source: Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913–1998," *Quarterly Journal of Economics*, February 2003; updated to 2012 by Emmanuel Saez and available at http://elsa.berkeley.edu/users/saez.

Figure 6.1

ANNUAL SOCIAL SECURITY BENEFITS UNDER THE "GOOD" CPI-E, THE "BAD" CURRENT LAW, AND THE "UGLY" CHAINED CPI

For Average Earner Retiring at Age 65



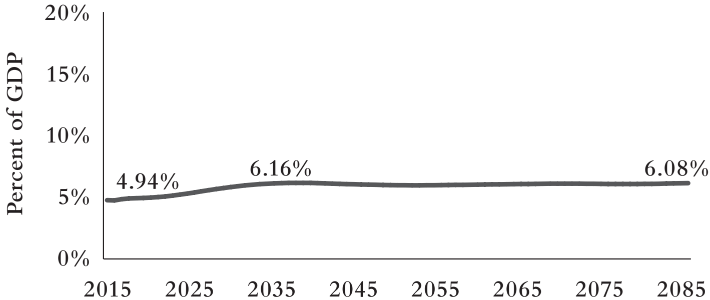
Note: Because cost-of-living adjustments are applied from age 62 onward (regardless of one's age of retirement), benefits under the three CPIs already diverge by age 65.

Source: Social Security Works' calculations based on Social Security Office of the Chief Actuary, Memorandum to Rep. Becerra, June 21, 2011; Social Security Administration, Annual Statistical Supplement, 2012, Table 2.A26, 2012.

Figure 7.1

SOCIAL SECURITY IS FULLY AFFORDABLE

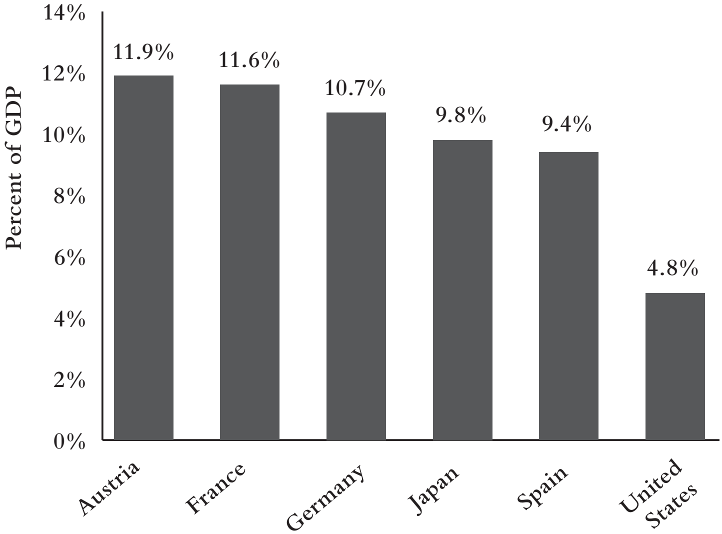
Social Security as a Percent of GDP, 2015–2085



Source: “2014 OASDI Trustees Report,” Table 6.G4, Social Security Administration, 2014.

Figure 8.1

MANY NATIONS SPEND MUCH MORE THAN THE UNITED STATES ON RETIREMENT, DISABILITY, AND SURVIVOR PROTECTION

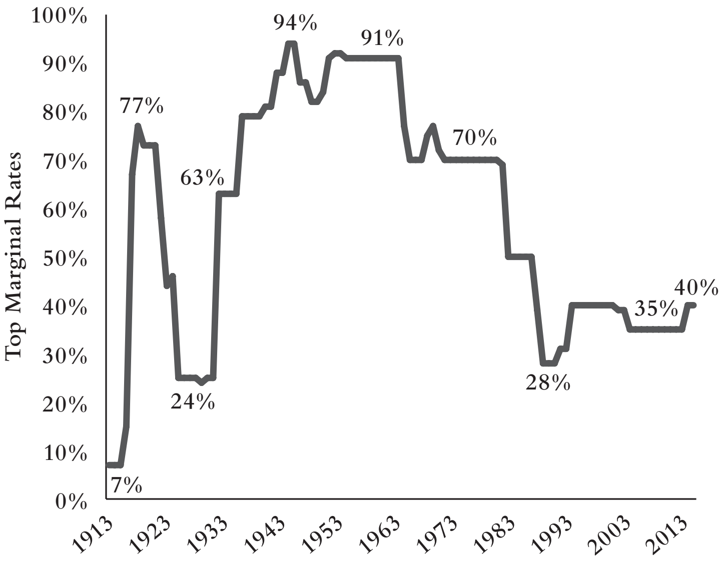


Note: All data are for 2009 (most recent comparative data available). All countries compared have similar, defined-benefit pension systems. Private systems are excluded, as are targeted social assistance programs. To increase data comparability, only half of spending was counted for program components in other countries that cover all government employees (and only a quarter of spending on those that cover a combination of government employees and members of the military/veterans), as only roughly half (a quarter) of such spending in United States is Social Security spending.

Source: Analysis by Benjamin W. Veghte of OECD Social Expenditure Database.

Figure 8.2

TOP MARGINAL FEDERAL INCOME TAX RATES, 1913–2014



Source: "Individual Income Tax Parameters (Including Brackets), 1945–2014," Table 23: U.S. Individual Income Tax: Personal Exemptions and Lowest and Highest Bracket Tax Rates, and Tax Base for Regular Tax, Tax Years 1913–2012, December 2013, Internal Revenue Service, Tax Policy Center, February 7, 2014.

Figure 8.3

THE RETIREMENT SAVINGS OF SOME FIX-THE-DEBT CEOS WHO WANT TO CUT YOUR SOCIAL SECURITY

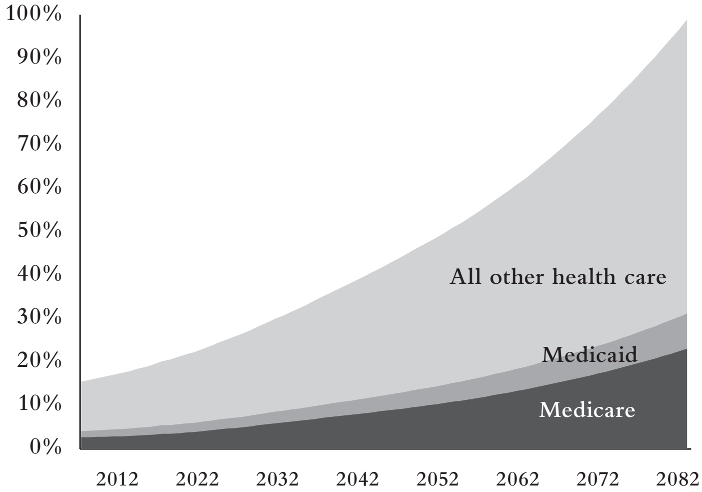
CEO (Company)	Total CEO retirement assets	Estimated CEO monthly pension	Employee pension fund deficit
David Cote (Honeywell)	$78,084,717	$428,092	$2,764,000,000
Jeffrey Immelt (General Electric)	$53,301,387	$292,220	$21,756,000,000
Randall Stephenson (AT&T)	$47,001,565	$257,681	$10,203,000,000
W. James McNerney (Boeing)	$39,089,893	$214,306	$16,598,000,000
Michael Ward (CSX)	$32,292,517	$177,040	$818,000,000
Steven Roth (Vornado Realty Trust)	$26,636,463	$146,032	(not available)
John McGlade (Air Products and Chemicals)	$24,513,351	$134,392	$762,000,000
Andrew Liveris (Dow Chemical)	$23,726,536	$130,078	$7,010,000,00
Wendell Weeks (Corning)	$21,229,195	$116,387	$454,000,000
Alesander Cutler (Eaton)	$21,055,632	$115,435	$1,235,000,000
James Tisch (CEO) (Loews)	$21,028,506	$115,287	$958,000,000
Andrew Tisch (co-chair of the board) (Loews)	$20,677,631	$113,363	$958,000,000

Source: Sarah Anderson and Scott Klinger, "A Pension Deficit Disorder: The Massive CEO Retirement Funds and Underfunded Worker Pensions at Firms Pushing Social Security Cuts," Institute for Policy Studies, November 27, 2012, www.ips-dc.org/reports/pension-deficit-disorder. Monthly pension derived from www.immediateannuitites.com annuity calculator, using total retirement assets, and assuming payments would start at age 65. Based on rates available in New York and assume payments to one individual with no benefits.

Figure 9.1

HISTORICAL GROWTH IN HEALTH CARE SPENDING IS UNSUSTAINABLE

Projected Spending on Health Care as Percentage of GDP, Assuming Costs Rise as They Did from 1975 to 2005

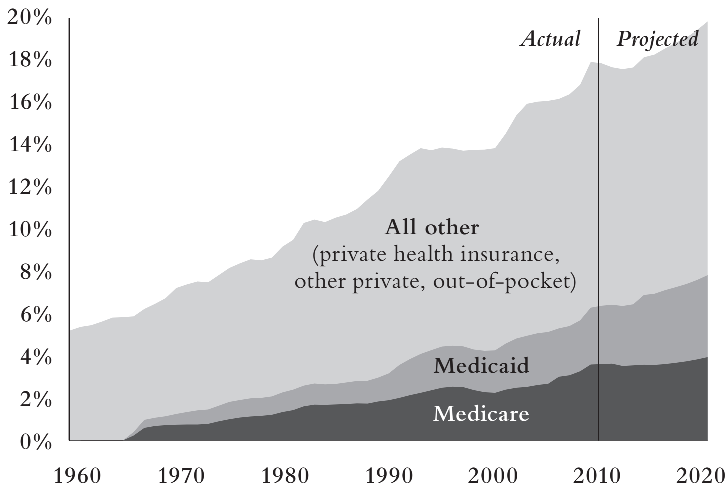


Source: "The Long-Term Outlook for Health Care Spending," Congressional Budget Office, November 2007.

Figure 10.1

PROJECTED HEALTH CARE SPENDING, ESPECIALLY IN PRIVATE SECTOR, IS THE PROBLEM

Health Care Spending as a Percentage of GDP

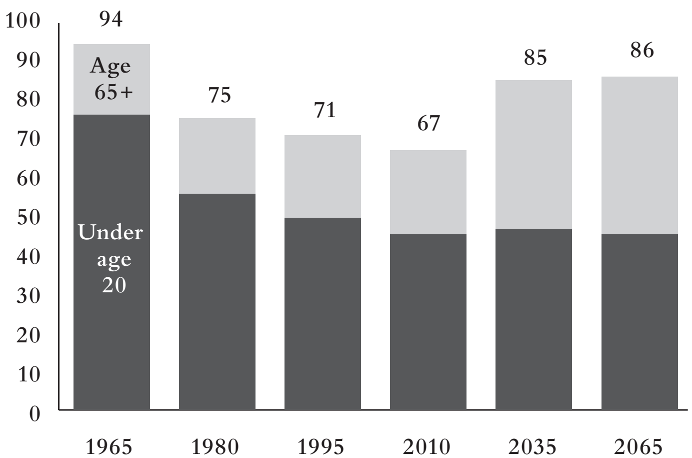


Source: "The Financial Outlook for Medicare, Medicaid, and Total National Health Expenditures," testimony before House Budget Committee by Richard Foster, Chief Actuary, Center for Medicare and Medicaid Services, February 28, 2012.

Figure 10.2

MORE THAN ENOUGH FUTURE WORKERS
TO SUPPORT YOUNG AND OLD

Persons Under Age 20 and Over 65 per 100 Persons Aged 20–64



Note: Historical data are provided for 1965, 1980, 1995, and 2010. Data for 2035 and 2065 are projections based on Social Securit Administration Office of the Actuary's intermediate assumptions.

Source: "2013 OASDI Trustees Report," Table 5.A2, Social Security Administration, May 31, 2013.

Figure 10.3

INCREASING "FULL RETIREMENT AGE" BY TWO YEARS CUTS RETIREE BENEFITS BY ROUGHLY 13%

Monthly benefit a worker would get, claiming benefits at different ages, the only difference in the amount for each age being different "Full Retirement Age" in the law

Note: The Full Retirement Age is currently rising from 65 for those born before 1938 to 67 for those born in 1960 or later. Monthly benefits reflect 8 percent delayed retirement credit after Full Retirement Age.

Source: Virginia P. Reno and Elisa A. Walker, "Social Security Benefits, Finances, and Policy Options: A Primer," National Academy of Social Insurance, April 2012.

Figure 10.4

APPENDIX B

ADDITIONAL INFORMATION ABOUT THE SOCIAL SECURITY WORKS ALL GENERATIONS PLAN AND OTHER PROPOSALS, INCLUDING COST AND REVENUE ESTIMATES

This appendix provides a more detailed discussion of the proposals highlighted in chapters 7 and 8, together with costs and revenues.

As explained in chapter 8, absolute dollar amounts over long periods of time are hard, if not impossible, to comprehend. Consequently, Social Security's actuaries express seventy-five-year projections of the financial status of Social Security, as well as the cost or savings from particular proposals in terms of percent of taxable payroll (i.e., as a percent of all covered earnings). In 2014, covered earnings include about 82.5 percent of all earnings in the economy. Expressing costs and savings as a percent of taxable payroll over Social Security's seventy-five-year estimating period is much more useful than dollar amounts because over seventy-five years the value of the dollar will change considerably and even so-called constant dollars involve extremely large numbers. Because the main source of Social Security's financing is from Social Security contributions assessed against covered earnings, expressing the projected deficit/surplus and the cost/savings of proposals in that form permits an easy comparison of costs. In addition, we also express these large numbers as a percent of gross domestic product.

Based on the actuaries' estimates, in 2014, Social Security's board of trustees reported that under the most widely accepted set of assumptions, the program had a shortfall of 1.02 percent of gross domestic product, which also equals 2.88 percent of taxable payroll. In other words, the entire shortfall could be eliminated totally if the FICA rates on employers and employees each were increased immediately from 6.2 percent to 7.64 percent.[1] That provides a sense of scale, but as the All Generations Plan details, we believe that there are better ways to eliminate the projected shortfall and finance the projected costs of the improvements advocated here. All estimates of costs or savings, unless otherwise noted, are for the traditional seventy-five-year valuation period and were derived by Social Security Administration's Office of the Chief Actuary. Most of the numbers can be found on that office's website at www.ssa.gov/oact.

INCREASING THE ECONOMIC SECURITY OF CURRENT AND FUTURE SENIORS

INCREASE BENEFITS FOR ALL CURRENT AND FUTURE BENEFICIARIES

As chapter 7 explains, across-the-board benefit increases can be designed in a variety of ways. Every benefit could simply be increased by the same flat percentage. A 5 percent across-the-board increase, for example, costs 0.78 percent of taxable payroll, or 0.28 percent of GDP.[2] Alternatively, all beneficiaries could be given the same dollar increase. That would provide lower-wage workers, as well as spouses and children, a larger percentage increase. Another approach is to modify the bend points. (The formula is set forth and the phrases "bend points" and "percentage factors" are described in appendix A.) That approach was followed, for example, in legislation sponsored by then-senator Tom Harkin[3] and now by Senator Sherrod Brown and Representative Linda Sanchez (D-CA).[4] That legislation gradually increases the Social Security formula's bend points by 15 percent, which translates, when fully phased in, into roughly a $70 increase for retired workers and a smaller increase for other family members.[5] If enacted, this proposal would cost 0.37 percent of taxable payroll, or 0.13 percent of GDP.[6]

The Social Security Works All Generations Plan would increase the benefits of all current and future beneficiaries by a full

10 percent, but just as there is a minimum benefit, the increase would be limited to a maximum amount of $150 a month, indexed annually by the average growth of wages. The proposal would cost 1.2 percent of taxable payroll, or 0.42 percent of GDP, as calculated by the authors.[7]

ENSURE THAT BENEFITS DO NOT ERODE OVER TIME BY ENACTING A MORE ACCURATE MEASURE OF THE COST OF LIVING EXPERIENCED BY SENIORS AND PEOPLE WITH DISABILITIES

As chapter 7 explains, virtually every expansion plan proposes the adoption of the more accurate cost of living adjustment for the elderly. (Technically, this change is not an increase, but it is an improvement, because it will do a better job of maintaining the purchasing power of benefits no matter how long someone lives.) This proposal would cost 0.37 percent of taxable payroll, or 0.13 percent of GDP.[8]

INCREASE THE SPECIAL MINIMUM BENEFIT

As chapter 7 explains, a number of expansion plans update the special minimum benefit, which is targeted toward low-income workers. There are many ways to structure this expansion. The Social Security Works All Generations Plan would update the special minimum benefit to equal 125 percent of the federal poverty level, when benefits are claimed at full retirement age, which is now age 66, but is gradually increasing to age 67, when workers have at least thirty years of credited work (i.e., 120 quarters of coverage.) For those with under thirty years of coverage, the benefit is proportionately lower. This improvement costs 0.19 percent of taxable payroll, or 0.07 percent of GDP.[9]

INCREASE BENEFITS FOR THE VERY OLD AND THOSE WHO HAVE BEEN RECEIVING BENEFITS FOR MANY YEARS

As mentioned in chapter 7, some proposals increase benefits at a certain age or after beneficiaries have been receiving benefits for a certain number of years. These proposals can be structured in a variety of ways. A 5 percent increase at age 85, for example, would cost 0.11 percent of taxable payroll, or 0.04 percent of GDP.[10] To target the increase disproportionately to those who are low income, some have proposed a flat dollar amount equal to 5 percent of the average retired worker's benefit. To also include those with disabilities that started at young ages, these proposals could be structured to increase benefits after twenty years of receipt or eligibility for benefits.

INCREASE THE BENEFITS OF WIDOWED SPOUSES, WHO HAVE DISPROPORTIONATELY HIGH RATES OF POVERTY

Private pensions may end or be greatly reduced when a worker dies. Social Security, which pays significantly higher benefits to widow(er)s than spouses, helps cushion the loss of other income, particularly when the one left behind has earned considerably less than the deceased spouse. However, Social Security is less adequate when the spouses earned around the same amounts. Consequently, some have proposed a higher amount in that situation. The cost is relatively small. In one variation, where the increased benefits are targeted to those of low income, the cost is just 0.06 percent of taxable payroll, or 0.02 percent of GDP.[11]

STRENGTHENING FAMILY PROTECTIONS AND REINFORCING CAREGIVING

PROVIDE PAID FAMILY LEAVE UPON THE BIRTH OR ADOPTION OF A CHILD, THE ILLNESS OF A FAMILY MEMBER, OR THE ILLNESS OF A WORKER

The Social Security Works All Generations Plan would provide those workers who are insured for Social Security disability benefits up to twelve weeks of paid leave in the event of the birth or adoption of a child, the illness of a family member, or the illness of the covered worker. The benefit would be two-thirds of gross salary, capped to a monthly ceiling that would be inflation indexed. For the first year after the enactment of the law, the maximum benefit would be $4,000.[12] This proposal would, according to The Center for American Progress, cost 0.40 percent of taxable payroll, or 0.14 percent of GDP.[13]

IN RECOGNITION OF THE VALUE OF CAREGIVING, CREDIT THAT WORK TOWARD FUTURE BENEFITS

Some have proposed giving credit for unpaid child care to improve the benefits of those who have taken the time out from the paid workforce to undertake this important work. The proposals can be structured in a variety of ways. The Social Security Works All Generations Plan would give credit to parents with a child under age 6 for earnings for up to five years. The earnings credited for a child-care year would equal one-half of the Social Security Administration average wage index (about $22,161 in 2012).[14] The credits would be available for all past years to newly eligible retired-worker and disabled-worker beneficiaries starting in 2014. The proposal would cost 0.25 percent of taxable payroll, or 0.09 percent of GDP.[15]

INCREASE BENEFITS FOR FAMILIES OF DISABLED, DECEASED, OR RETIRED WORKERS

Because the benefits of children and other qualified family members are derived from the same single benefit formula, expanding benefits across the board will increase the benefits of all current and future family members who themselves are beneficiaries.

FACILITATE THE ATTAINMENT OF HIGHER EDUCATION BY CHILDREN WHOSE PARENTS ARE INSURED UNDER SOCIAL SECURITY AND HAVE DIED OR BECOME SERIOUSLY AND PERMANENTLY DISABLED

Continuing Social Security benefits to age 22 for children whose parents have become disabled or died and who are in college, university, or vocational school would cost 0.07 percent of taxable payroll, or 0.02 percent of GDP.[16]

OTHER FAMILY BENEFIT IMPROVEMENTS

There is not room to discuss, even in this appendix, all the variations and all the minor expansions that have been recommended for Social Security. Here are two representative examples that are included in the All Generations Plan with relatively small costs. They would not affect many beneficiaries, but they nevertheless could make a huge difference to those they help.

Provide new child benefit of $1,000 at the birth or adoption of a child

The Social Security Works All Generations Plan would provide a $1,000 benefit at the birth or adoption of a child. The payment could be accompanied by information about the other Social Security protections earned on behalf of the child by the covered parent(s). This proposal would cost 0.07 percent of taxable payroll, or 0.02 percent of GDP.[17]

Encourage independence and work of disabled adult children and support families giving care to them

Social Security imposes a maximum family benefit, which limits the amount that can be paid based on a worker's earnings record. Children disabled prior to age 22 may receive disabled adult child (DAC) benefits if a parent (or, in a few cases, a grandparent or other relative providing the principal financial support and care) is retired, disabled, or deceased. These benefits are counted toward the family maximum, regardless of whether that disabled adult child lives at home. This can have the unfortunate side effect of reducing monthly benefits for the parent's household. While this adjustment may make sense when a DAC beneficiary lives in the family home and shares household expenses, it makes little sense for those DAC beneficiaries who do not live with their parents, and poses a significant barrier for DAC beneficiaries who wish to live more independently. Excluding the coverage of the family maximum for DAC beneficiaries who live independently would cost 0.01 percent of taxable payroll, or 0.004 percent of GDP.[18]

Provide equity for disabled widow(er)s by eliminating both the age 50 requirement and seven-year rule, and by providing unreduced benefits

Under current law, a disabled widow(er) may collect widow(er) benefits, reduced in amount if she or he is at least age 50, and the disability began within seven years of the worker's death or seven years after the last month he or she was eligible to receive a benefit as a surviving spouse with child in care. The Social Security Works All Generations Plan would extend protection to persons under age 50, eliminate the seven-year rule and increase the level of benefits to 100 percent of the deceased spouses' PIA, aligning the treatment of disabled widow(er)s more closely to that of other disability beneficiaries. This proposal would cost 0.04 percent of taxable payroll, or 0.01 percent of GDP.[19]

SECURING SOCIAL SECURITY'S FINANCING

GRADUALLY ELIMINATE THE MAXIMUM TAXABLE WAGE BASE, GIVING CREDIT FOR CONTRIBUTIONS

As chapter 8 explains, the maximum level of wages on which Social Security insurance premiums are assessed has been slipping as a percentage of all wages nationwide. The percentage has been slipping not because of any action by Congress, but simply because the level is indexed to average wages, and that average has been skewed because wages at the top have risen so much faster than everyone else's. As a consequence, even conservative proposals like the one put forward by Erskine Bowles and Alan Simpson, mentioned in chapter 11, proposed gradually restoring the maximum to where Congress intended.[20] Those paying the increased amount would have their benefits based on those higher earnings. This proposal, gradually phased in over about thirty years, would increase Social Security's revenue 0.62 percent of taxable payroll, or 0.22 percent of GDP.[21] Others have proposed restoring the maximum to 90 percent on employees but requiring employers to contribute on their entire payrolls, as they do to Medicare's Hospital Insurance Trust Fund. This proposal would increase Social Security's revenue 1.43 percent of taxable payroll, or 0.51 percent of GDP.[22]

The Social Security Works All Generations Plan would gradually eliminate the maximum taxable wage base, over about ten years, for both employers and employees. When fully phased in, this would result in the roughly 6 percent of workers with earnings above the maximum paying into Social Security all year, as other workers do. Consistent with how Social Security has always operated, all wages on which contributions are made would be counted in calculating benefits, but the formula would be modified so that those higher earners would receive Social Security benefits that would be a higher dollar amount but a lower percentage of their wages than lower-earning workers.

That is, consistent with Social Security's progressive benefit formula, which provides benefits that are a higher dollar amount but represent a lower rate of return for workers (and their families) who earn more and contribute more to Social Security, this proposal would provide benefits, in the event of retirement, disability, and death, that are higher dollar amounts though lower rates of return to those workers (and their families) who earn above the current-law maximum and contribute to Social Security on those wages, as a result of this proposal.

This proposal would add two additional brackets onto the formula to take into account the elimination of the current-law maximum benefits base. The new percentage factors will be 5 percent and 0.25 percent, and the bend points will be at about the level of the current-law maximum (divided by twelve to achieve a monthly amount), or $9,750 (indexed to the average wage index, or AWI), and twice that amount, or $18,500 (indexed to AWI). As a result, under this proposal, Social Security's benefit formula would be, in 2014 dollars:

The sum of:

(a) 90 percent of the first $816 of average indexed monthly earnings, plus

(b) 32 percent of average indexed monthly earnings over $816 and through $4,917, plus

(c) 15 percent of average indexed monthly earnings over $4,917 and through $9,750, plus

(d) 5 percent of average indexed monthly earnings over $9,750 and through $18,500, plus

(e) 0.25 percent of average indexed monthly earnings over $18,500 [23]

GRADUALLY INCREASE SOCIAL SECURITY CONTRIBUTION RATE FROM 6.2 PERCENT ON BOTH EMPLOYEES AND EMPLOYERS TO 7.2 PERCENT BY 2039

Social Security's contribution rate has not been increased since 1990. As chapter 8 explains, the rate could be increased a small or large amount, quickly or slowly. The Social Security Works All Generations Plan would increase the rate modestly and gradually. It would increase Social Security contribution rate by 1/20th of a percentage point per year from 2020 to 2039 until the rate reaches

7.2 percent on both employers and employees. Its impact each year would be to require a worker earning an average income to contribute about 50¢ more a week to our Social Security system. It would increase Social Security's revenue 1.41 percent of taxable payroll, or 0.50 percent of GDP.[24]

TREAT ALL SALARY REDUCTION PLANS THE SAME AS 401(K) PLANS WITH RESPECT TO THE DEFINITION OF WAGES UNDER SOCIAL SECURITY

By treating all salary reduction plans the same as 401(k)s, the Social Security Works All Generations Plan would generate modest revenues while also correcting an inconsistency in the law. This proposal would increase Social Security's revenue 0.25 percent of taxable payroll, or 0.09 percent of GDP.[25]

INCREASE SOCIAL SECURITY'S INVESTMENT INCOME

Social Security currently has an accumulated reserve of $2.8 trillion, which by law is invested solely in interest-bearing obligations of the United States.[26] Standard investment advice is to diversity one's portfolio, investing in both equities and bond instruments. This proposal would achieve that diversification. The more that is invested in equities, the higher the return generally. The Social Security Works All Generations Plan directs that 40 percent of trust fund assets be gradually, over fifteen years, invested in a broadly diversified, indexed equity fund or funds. A variety of safeguards would be introduced to assure no interference with the market or the entities in which the trust funds are invested. Assuming a 6.4 percent real rate of return, this proposal would increase Social Security's revenue 0.59 percent of taxable income, or 0.21 percent of GDP.[27]

DEDICATE REVENUES FROM NEW TAXES ON INCOME IN EXCESS OF $1 MILLION AND FROM OTHER PROGRESSIVE SOURCES

The Social Security Works All Generations Plan would create a new dedicated source of revenue from the taxation of incomes above $1 million. Those fortunate taxpayers pay no additional tax on their first $1 million of income. On their million and first dollar, and every dollar after that, they simply pay an additional 10¢ per dollar. This proposal would increase Social Security's revenue 1.5 percent of taxable payroll, or 0.53 percent of GDP, as calculated by the authors.[28]

As discussed in chapter 8, other proposals would dedicate other progressive taxes, such as the federal estate tax or a financial speculation tax. Dedicating to Social Security the federal estate tax, restored to its 2009 level, where it taxed estates in excess of $3.5 million ($7 million for married couples), would increase Social Security's revenue 0.51 percent of taxable payroll, or 0.18 percent of GDP.[29] Dedicating a new financial speculation tax would increase Social Security's revenue 2.8 percent of taxable payroll, or 0.99 percent of GDP, according to calculations made by the authors.[30]

SIMPLIFY AND STREAMLINE ACCOUNTING

Social Security's disability, survivors, and retirement benefits are all intertwined, generated from the same benefit formula. For this reason, the annual Trustees Report presents the two trust funds on both a separate and combined basis. The Social Security Works All Generations Plan simply makes that presentation of the combined funds—OASDI—a reality by combining the OASI Trust Fund with the DI Trust Fund. This change has no cost. It just simplifies and streamlines accounting.

The following table shows the costs of the benefit expansions and the increased revenue of the financing proposals contained in the All Generations Plan. As the table reveals, the plan leaves Social Security in long-range actuarial surplus for the next three-quarters of a century.

SOCIAL SECURITY WORKS ALL GENERATIONS PLAN

	As percent of taxable payroll	As percent of GDP
Currently projected seventy-five-year shortfall (present value)	-2.88	-1.02
Addressing the Retirement Income Crisis	**Cost/ Savings as percent of taxable payroll**	**Cost/ Savings as percent of GDP**
Increase benefits for all current and future beneficiaries by 10%, up to a maximum of $150 a month	-1.20	-0.42
Ensure that benefits do not erode over time by enacting the more accurate CPI-E	-.37	-0.13
Provide a minimum benefit, at full benefit age, of 125% of poverty for covered workers who have 30 years of work	-.19	-0.07
Strengthening Family Protections for All Generations		
Provide up to 12 weeks of paid family leave upon the birth or adoption of a child, the illness of a covered worker or family member	-.40	-0.14
Give credits toward future Social Security benefits for up to five years of caring for a child under age 6	-.25	-0.09
Facilitate higher education by restoring student benefits for children up to age 22 whose covered parents have died or become disabled	-.07	-0.02
Provide $1,000 new child benefit at birth or adoption of a child	-.07	-0.02
Encourage work and independence by not applying the Family Maximum when Disabled Adult Children do not live at home	-.01	-0.004
Improve disabled widow(er) benefits by eliminating both the age 50 requirement and seven-year rule, and by providing unreduced benefits	-.04	-0.01

Securing Social Security's Financing for Generations to Come		
Starting in 2016, gradually eliminate the maximum taxable wage base, giving credit for these contributions	+1.95	+0.69
Enact a new dedicated 10% marginal income tax rate on yearly incomes in excess of $1 million (no additional tax on the first $1 million dollars of yearly income)	+1.50	+0.53
Treat all salary reduction plans the same as 401(k) plans with respect to the definition of wages under Social Security	+.25	+0.09
Increase Social Security contribution rate by 1/20th of a percentage point per year, on employers and employees each, from 2020–2039, until rate reaches 7.2% on both employers and employees	+1.41	+0.50
Invest 40% of Trust Funds in equities, phased in from 2014–2028	+.59	+0.21
Combine the OASI Trust Fund with DI Trust Fund	0	0
Long-Range Surplus	+0.22	+0.08

Note: These estimates are preliminary and do not include interaction effects. Long-range surplus totals differ from sum of cost estimates due to rounding. "Percent of taxable payroll" is the customary way of expressing the projected deficit/surplus of the Social Security Trust Fund—and the cost/savings generated by various proposals—over 75 years. Since the present value of 75-year GDP (2014–2088) is 2.83 times larger than that of taxable payroll, the amounts expressed as a share of taxable payroll are 2.83 times larger than when expressed as a share of GDP.

Source: Long-range actuarial shortfall: "2014 OASDI Trustees Report," Social Security Administration, 2014. Estimates of individual proposals: Office of the Chief Actuary, Social Security Administration, except where noted in the preceding text.

APPENDIX C

DESCRIPTIONS OF VARIOUS SOCIAL SECURITY EXPANSION LEGISLATIVE BILLS AND ORGANIZATIONS' PLANS

TABLE A.1: LEGISLATORS' SOCIAL SECURITY EXPANSION BILLS

Bill Name	Bill Sponsor(s)	Number of Co-Sponsors	Increases/ Expands Benefits	Pays for Expanded Benefits	Extends Solvency
Strengthening Social Security Act of 2013 (S. 567 and H.R. 3118)	Sen. Tom Harkin (D-IA) and Rep. Linda Sanchez (D-CA-38)	4 Senate, 62 House; Endorsed by Congressional Progressive Caucus, which includes 74 members	✓	✓	✓
Protecting and Preserving Social Security Act (S. 308 and H.R. 649)	Sen. Mark Begich (D-AK) and Rep. Theodore Deutch (D-FL-21)	2 Senate, 27 House	✓	✓	✓
Social Security Enhancement and Protection Act of 2013 (H.R. 1374)	Rep. Gwen Moore (D-WI-4)	1 House	✓	✓	✓
The Retirement and Income Security (RAISE) Act of 2013 (S. 2455)	Sen. Mark Begich (D-AK) and Sen. Patty Murray (D-WA)	1 Senate	✓	✓	✓
Fair Raises for Seniors Act (S. 2382)	Sen. Jeff Merkley (D-OR)	0 Senate	✓	✓	✓

Major Points of Bill
Increases benefits for virtually all Social Security beneficiaries by approximately $70 per month, by an increase in the first so-called bend point of the Social Security benefit formula. Switches to the more accurate CPI-E. Pays for the improvements and extends solvency by gradually eliminating the Social Security maximum taxable wage base. For more information, go to www.gpo.gov/fdsys/pkg/BILLS-113s567is/pdf/BILLS-113s567is.pdf.
Switches to the more accurate CPI-E. Pays for the improvements and extends solvency by gradually eliminating the Social Security maximum taxable wage base. For more information, go to www.gpo.gov/fdsys/pkg/BILLS-113s308is/pdf/BILLS-113s308is.pdf.
Increases the special minimum benefit paid to workers who have spent long careers in low-wage jobs. Gives credits of up to five years toward the minimum benefit for a parent who leaves the workforce to raise a child younger than 6 years old. Provides a 5% increase for the very old and others who have been eligible to receive benefits for twenty years. Restores the student benefit for children of disabled or deceased workers. Pays for the improvements and extends solvency by gradually eliminating the Social Security maximum taxable wage base and gradually increasing the Social Security contributions rate by 0.3% on employees, matched by employers. For more information, go to www.gpo.gov/fdsys/pkg/BILLS-113hr1374ih/pdf/BILLS-113hr1374ih.pdf.
Extends benefits to divorced spouses married less than ten years; provides alternative, higher benefits to widow(er)s of 75% of combined benefit, if higher than current-law benefit. Restores student benefits to children of deceased, disabled, and retired workers. Pays for the improvements and extends solvency by requiring workers and their employers to contribute to Social Security 2% of earnings above $400K for which they would receive higher benefits. For more information, go to www.govtrack.us/congress/bills/113/s2455/text.
Switches to the more accurate CPI-E. Pays for the improvements and extends solvency by requiring workers to contribute to Social Security 2% of earnings above $250K. For more information, go to www.govtrack.us/congress/bills/113/s2382/text.

Bill Name	Bill Sponsor(s)	Number of Co-Sponsors	Increases/ Expands Benefits	Pays for Expanded Benefits	Extends Solvency
The Social Security 2100 Act (H.R. 5306)	Rep. John Larson (D-CT-1)	1 House	✓	✓	✓
Family and Medical Insurance Leave Act of 2013 (S. 181 and H.R. 3712)	Sen. Kirsten Gillibrand (D-NY) and Rep. Rosa De Lauro (D-CT-3)	6 Senate, 95 House	✓	✓	N/A
The Social Security and Marriage Equality (SAME) Act (S. 2305 and H.R. 4664)	Sen. Patty Murray (D-WA) and Rep. Ron Kind (D-WI-3)	7 Senate, 46 House	✓	N/A	N/A
The Social Security Caregiver Credit Act of 2014 (H.R. 5024)	Rep. Nita Lowey (D-NY-17)	33 House	✓	N/A	N/A

Major Points of Bill
Provides an across-the-board 2% increase for all beneficiaries so that all Social Security recipients would see an immediate benefit increase starting in 2015. Improves the cost of living adjustment (COLA) by moving to a CPI-E formula. Provides a tax break to Social Security recipients by raising the threshold for taxation on benefits to $50,000 for individuals ($100,000 for joint filers). Presently, Social Security beneficiaries making more than $25,000 ($32,000 for joint filers) per year pay taxes on their benefits. Protects the lowest income beneficiaries by ensuring that those who paid into the system receive a minimum benefit equal to 125% of the poverty line. This will prevent low-lifetime earners from falling into poverty in retirement. Over twenty years, increases the payroll tax on workers and employers from 6.2% to 7.2%. This is a 0.05% increase each year beginning in 2018, and would be the equivalent of 50 cents per week cumulatively. Lifts the cap by applying the payroll tax to earners making more than $400,000. Presently, payroll taxes are not collected on wages over $117,000. Gradually invests up to 25% of the assets in a broad-based, diversified index fund in order to bolster the Trust Fund as more baby boomers begin to retire. The investments would be overseen by an independent board with fiduciary responsibilities and would include sensible safeguards to ensure that all benefits are paid in full and on time. For more information, go to www.govtrack.us/congress/bills/113/hr5306.
Establishes the Office of Paid Family and Medical Leave within the Social Security Administration. Provides twelve weeks of paid leave each year to qualifying workers for the birth or adoption of a new child, the serious illness of an immediate family member, or a worker's own medical condition. Pays for the new benefit by having employees and employers each make contributions of 0.2% of wages. For more information, go to http://beta.congress.gov/113/bills/s1810/BILLS-113s1810is.pdf.
Confers survivors benefits to any individual legally married in United States. Eliminates the requirement that the surviving spouse reside in a state that recognizes same-sex marriage in order to be eligible for Social Security benefits. Ensures spouses legally married outside the United States are eligible for Social Security benefits. For more information, go to https://beta.congress.gov/bill/113th-congress/senate-bill/2305.
Modestly enhances caregivers' Social Security benefits. Anyone spending at least eighty hours a month providing care to a dependent relative under the age of 12 or a chronically dependent individual is eligible to claim credit for up to sixty months. The credit would be structured in a way to complement earnings and would be progressive, with those not receiving income earning a higher credit, eventually phasing out when an individual earns more than the average national wage. For more information, go to https://beta.congress.gov/bill/113th-congress/house-bill/5024.

Note: Table A.1. lists the key sponsors and a number of co-sponsors of plans put forward by senators and memebers of Congress at the time of this writing. N/A=not applicable.

TABLE A.2: ORGANIZATIONS' SOCIAL SECURITY EXPANSION PLANS

Name of Plan	Organization(s) Proposing Plan	Increases/ Expands Benefits	Pays for Expanded Benefits	Extends Solvency
Expanding Social Security Benefits for Vulnerable Populations	Center for Community Change and Older Women's Economic Security Task Force	✓	✓	✓
Plan for a New Future: The Impact of Social Security Reform on People of Color	The Commission to Modernize Social Security	✓	✓	✓
Keeping Social Security Strong	Economic Opportunity Institute	✓	✓	✓
Strengthening Social Security for Women	Institute for Women's Policy Research	✓	✓	✓
Breaking the Social Security Glass Ceiling	Institute for Women's Policy Research, National Organization for Women Foundation, National Committee to Preserve Social Security and Medicare	✓	✓	✓

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Major Points of Plan
Creates a caregiving credit, restores and expands student benefits, increases the minimum benefit. Switches to the more accurate CPI-E. Ensures that LGBTQ couples receive Social Security benefits. Pays for the improvements and extends solvency by gradually eliminating the Social Security maximum taxable wage base. Also urges full employment and immigration reform, which will increase Social Security's revenue, and offers other options. For more information, go to www.iwpr.org/publications/pubs/expanding-social-security-benefits-for-financially-vulnerable-populations/at_download/file.
Increases benefits across the board by an amount equal to 5% of average benefits, restores student benefits, increases the minimum benefit. Improves survivors' benefits and increases benefits after age 85. Pays for the improvements and extends solvency by gradually eliminating the Social Security maximum taxable wage base, gradually increasing the Social Security contribution rate, treating all salary reduction plans as income for Social Security purposes. For more information, go to http://modernizesocialsecurity.files.wordpress.com/2013/04/new_future_social_security_10_24_11.pdf.
Increases benefits for low earners. Creates a caregiving credit, restores student benefits, and improves survivors' benefits. Pays for the improvements and extends solvency by eliminating the Social Security maximum taxable wage base. For more information, go to www.eoionline.org/wp/wp-content/uploads/social-security/KeepingSocialSecurityStrongFourSteps-May2012.pdf.
Increases benefits for low earners, creates a caregiver credit, increases eligibility for divorce benefits, and improves survivors' benefits. Pays for the improvements and extends solvency by eliminating the Social Security maximum taxable wage base and diversifying trust fund investments. For more information, go to www.iwpr.org/publications/pubs/strengthening-social-security-for-women-a-report-from-the-working-conference-on-women-and-social-security-1/at_download/file.
Increases benefits across the board by an amount equal to 5% of average benefits. Creates a caregiver credit, restores the student benefit, increases the minimum benefit, and improves survivor benefits. Switches to the more accurate CPI-E. Improves benefits for disabled adult children. Pays for the improvements and extends solvency by eliminating the Social Security maximum taxable wage base, gradually increasing the Social Security contribution rate, and treating all salary reduction plans as income for Social Security purposes. For more information, go to www.iwpr.org/publications/pubs/breaking-the-social-security-glass-ceiling-a-proposal-to-modernize-womens-benefits/at_download/file.

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Name of Plan	Organization(s) Proposing Plan	Increases/ Expands Benefits	Pays for Expanded Benefits	Extends Solvency
Protecting Social Security: A Blueprint for Strengthening Social Security for All Americans	Latinos for a Secure Retirement	✓	✓	✓
Boost Social Security Now	National Committee to Preserve Social Security and Medicare	✓	✓	✓
Does the Social Security COLA Need to Be Changed?	National Senior Citizens Law Center	✓		
Expanded Social Security: A Plan to Increase Retirement Security for All Americans	New America Foundation	✓	✓	✓

Major Points of Plan
Restores the student benefit, increases the minimum benefit, and encourages legal immigration, which will increase Social Security's revenue. Pays for the improvements and extends solvency by gradually raising the Social Security maximum taxable wage base to cover 90% of all earnings, treating all salary reduction plans as income for Social Security purpose, and diversifying trust fund investments. For more information, go to http://latinosforasecureretirement.org/assets/LSR_Protecting_Social_Security_Plan.pdf.
Increases all benefits by $70 a month, creates a caregiver credit. Switches to the more accurate CPI-E. Pays for the improvements and extends solvency by gradually eliminating the Social Security maximum taxable wage base, gradually increasing the Social Security contribution rate, and treating all salary reduction plans as income for Social Security purposes. For more information, go to www.ncpssm.org/Portals/0/pdf/6WaystoBoostSS.pdf.
Switches to the more accurate CPI-E. For more information, go to: http://www.nsclc.org/wp-content/uploads/2011/06/Issue-Brief-COLA-July-2012.pdf.
Creates "Social Security B," a universal flat benefit of $11,669 per year for all retirees. To pay for all current benefits and this new benefit, the plan lists a variety of options, including general revenue for the new benefit. For more information, go to http://growth.newamerica.net/sites/newamerica.net/files/policydocs/LindHillHiltonsmithFreedman_ExpandedSocialSecurity_04_03_13.pdf.

Note: Table A.2 lists plans of which the authors were aware at the time of this writing and includes organizations involved in their development. The authors apologize for any inadvertent omissions.

APPENDIX D

LEADING ORGANIZATIONS WORKING TO EXPAND SOCIAL SECURITY

The victories described in chapter 11 were the work of many. They can be traced to the foresight and investments over several decades of Atlantic Philanthropies, Ford Foundation, Rockefeller Foundation, Retirement Research Foundation, and the donations of individuals whose generous support enabled organizations to create and disseminate research-based information. Such organizations include AARP, Center for American Progress, Center for Budget and Policy Priorities, Center for Economic Policy Research, Economic Policy Institute, Institute for America's Future, Institute for Women's Policy Research, National Academy of Social Insurance (discussed in more detail below), National Institute on Retirement Security, National Women's Law Center, Pension Rights Center, and Retirement Research Center at Boston College. These organizations provided the intellectual infrastructure so important to efforts to advance a sound Social Security system, to build the case against privatizing and cutting Social Security, and to expand its vital protections.

More proximately, the Ford Foundation made generous contributions that helped engage new citizen-based constituencies in the Social Security policy arena. Beginning in 2009, Atlantic Philanthropies funded Social Security Works, the organization the authors co-founded and that convened and staffs the Strengthen Social Security Coalition (SSSC), a broad-based diverse coalition of more than 350 national and state organizations, including many of the nation's leading union, women's, disability, aging, civil rights, and netroots/Internet advocacy organizations. (A list of all members of the coalition can be found at socialsecurityworks .org.)

Many, many organizations, including the labor-based Alliance for Retired Americans, Center for Community Change, AARP, Generations United, National Committee to Preserve Social Security and Medicare, National Organization for Women, NAACP, and National Senior Citizens Law Center made major investments to safeguard Social Security. Electronic advocates—including Campaign for America's Future, CREDO Action, Democracy for America, MoveOn.org, Progressive Change Campaign Committee, and Progressive Democrats of America—engaged their millions of members. Union organizations—including AFGE, AFL-CIO, AFSCME, AFT, IFPTE, NEA, National Nurses United, SEIU, Steelworkers, UAW, Teamsters, and others—used their networks to get information out about the risk to their members. These and other organizations worked tirelessly to educate their members, the public, media, and our representatives in Congress.

And they continue to work. If you want to learn more, there is much good information available. The late Robert M. Ball, the nation's longest serving Social Security commissioner (to whom the authors dedicate this book), established the National Academy of Social Insurance in 1987, consisting of more than a thousand of the nation's leading experts on Social Security and other social insurance programs. The academy issues excellent briefs and reports, which can be downloaded from its website. Similarly, Harvard University professor Theda Skocpol has created the Scholars Strategy Network, which states its mission as "bring[ing] together many of America's leading scholars to address pressing public challenges at the national, state, and local levels."[1] The network also issues informative briefs on a variety of social policy issues. Those briefs are, like the academy's, available for download on its website. Other excellent information can be found on the websites of the AARP, Center for Policy and Budget Priorities, Economic Policy Institute, Social Security Works, and many of the other groups mentioned above.

We urge those who want to get involved to check out the website of Social Security Works, a nonprofit organization founded by the co-authors, and sign up for alerts. (Social Security Works annually publishes fifty state reports (including eleven in Spanish and reports for the District of Columbia, Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands), highlighting the protections afforded to each state's citizens—children, seniors, veterans, persons with disabilities, persons of color, and women—and providing data about the numbers of people served and benefits provided across all congressional districts and in every county (see www.socialsecurityworks.org/resources/state-reports).

To keep informed about the latest developments in the battle for Social Security and to join the fight, please visit our website at socialsecurityworks.org.