

**Statement for the Record of**

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**Committee on Ways and Means**

**U.S. House of Representatives**

**Hearing on**

**“Comprehensive Legislative Proposals to Enhance Social Security”**

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Chairman Larson and Ranking Member Reed:

My name is Max Richtman, and I am the President and CEO of the National Committee to Preserve Social Security and Medicare. The National Committee is a grassroots advocacy and educational organization dedicated to preserving and strengthening safety net programs, including Social Security and Medicare, which are so vitally important to the well-being of our nation’s seniors.

On behalf of our millions of members and supporters, I am honored to appear before this subcommittee today as it considers “Comprehensive Legislative Proposals to Enhance Social Security,” including H.R. 860 and S. 269, the “Social Security 2100 Act,” which we endorsed in January. I was also honored to join Chairman Larson and the Senate companion bill sponsors — Senators Richard Blumenthal and Chris Van Hollen — at the Capitol in February when they announced the reintroduction of this commonsense legislation. In addition, I applaud Chairman Larson for enlisting more than 200 of his colleagues to be original cosponsors on his bill.

**H.R. 860 and S. 269, the Social Security 2100 Act**

While there are other bills we support that improve benefits and extend solvency, my testimony today will focus on the Social Security 2100 Act. When enacted, this legislation will boost benefits for America’s 62 million Social Security beneficiaries and keep the system on a sound financial footing for the next 75 years and beyond.

Social Security is an enormously successful program which is essential to the retirement security of the vast majority of Americans. For 84 years, the Social Security program has been protecting Americans against the loss of income due to retirement, death or disability. Over 175 million workers and their families are covered by their contributions to Social Security and over 62 million Americans currently receive Social Security benefits.

While Social Security benefits are modest — averaging only about \$17,000 annually — Social Security is still the single largest source of income for retired Americans. Two-thirds of Social Security beneficiaries receive over half of their income from Social Security. In fact, for nearly one in five retirees, Social Security is their only source of income.

The importance of Social Security will only grow due to persistently stagnant middle-class wages and eroding employer-sponsored defined benefit retirement plans. Nearly half of American private sector employees — roughly 55 million — work for an employer that does not offer a retirement plan. Because of the outsize role played by Social Security in providing income security to seniors, legislation like the Social Security 2100 Act is enormously reassuring to millions of Americans who live paycheck-to-paycheck and have no money left over to save for retirement. They are counting on Social Security for a life of dignity throughout their retirement years.

The bill will also provide peace of mind to workers who have been repeatedly told the program's days are numbered. That's been my experience when I have talked with young people at congressional town hall meetings and other forums across the country. Of all age cohorts, they tend to be the most concerned about Social Security not being there for them when they retire. Sadly, there are some who take advantage of their anxiety by suggesting the only way to guarantee the program's future is by privatizing it or cutting benefits. H.R. 860 puts this misconception to rest.

Therefore, Chairman Larson's bill strengthens key benefit provisions and restores the program's actuarial foundations, thereby establishing sustainable solvency for more than the next 75 years. This achievement alone will have the most salutary effect on Americans' perception of Social Security by giving them confidence that Social Security will be there for them when they need it, whether they apply for retirement, disability, or survivor benefits.

## **Benefit Improvements**

Important program improvements in the Social Security 2100 Act include:

- An across-the-board increase for all beneficiaries of about 2 percent of the average benefit, a change that is projected to yield an annual increase for the typical retiree of about \$300.
- Adoption of the Consumer Price Index for the Elderly (CPI-E) rather than the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to calculate cost-of-living adjustments (COLAs), a change which is projected by the Social Security actuaries to increase the COLA by an average of 0.2 percentage point per year.

- Tax relief for Social Security beneficiaries by replacing the current thresholds for taxation of Social Security benefits with a single set of thresholds at \$50,000 for single filers and \$100,000 for joint filers for taxation of up to 85 percent of benefits (up from \$25,000 and \$32,000 respectively).
- Consolidation of the Old-Age and Survivors (OASI) and Disability Insurance (DI) Trust Funds into a single trust fund, called the Social Security Trust Fund which will lead to managing all future financial operations of the program on a combined basis.
- An increase in the special minimum benefit so that it equals up to 125 percent of the poverty level for an individual, with additional provisions that keep the special minimum benefit up to date by indexing it to future growth in wages.

While our members support all benefit improvements in this bill, a fairer COLA is at the top of their list. COLAs are all about protecting Social Security benefits from being eroded by inflation. But, sadly, the current CPI-W has fallen far short of providing needed inflation protection because it fails to adequately measure the spending patterns of seniors, who typically spend more on out of pocket health care costs than other Americans.

When I attend policy forums held with seniors throughout the country, the question most often asked is: “Why does Congress give me an inadequate Social Security COLA? I need it to get by on!” Seniors simply don’t understand why “Washington” believes seniors did not experience inflation in 2010, 2011 and 2016 when there was no COLA. They are frustrated that nothing has been done to fix this problem. That’s why seniors strongly support the CPI-E provision in Chairman Larson’s bill.

### **Strengthening Social Security’s Financial Foundation**

As I stated earlier, the Social Security 2100 Act strengthens Social Security’s financial foundation by increasing revenue dedicated to the support of the program. First, it extends the payroll tax to all wages paid to workers that are in excess of \$400,000. Over time, the bill would eliminate the cap since it is adjusted annually, so that all wages would be covered for Social Security tax and benefit purposes.

Second, the Social Security 2100 Act implements a small, gradual increase in workers’ and employers’ contributions to Social Security. This would be the first increase in the payroll tax rate in more than 35 years. But because the increase is phased in over a long period of time (2020 through 2043), the average worker would see his or her contributions to the Social Security program increase modestly by about 50 cents per week.

### **Public Support for Increasing Social Security Revenue**

The National Committee supports these measures to strengthen Social Security’s financing for the next 75 years, although it is a decision that we made only after asking what the American people thought about doing so. In 2017, we commissioned a poll that was conducted by Celinda Lake of Lake Research Partners, which reaffirmed that Social Security is overwhelmingly popular and that benefit cuts are not.

Ms. Lake says that polling results over 70 percent are considered “home runs.” If that’s the case, Chairman Larson’s bill hits grand slams. Across party lines, 79 percent supported paying for an increase in benefits by having wealthy Americans pay the same rate into Social Security as everyone else. Raising the Social Security payroll tax cap is popular because it is a matter of equity and fairness.

The National Committee’s polling is consistent with the National Academy of Social Insurance (NASI) August 2014 survey which found that Americans were willing to pay more to strengthen Social Security. Seventy-seven percent of Americans agreed that it is critical to preserve Social Security for future generations even if it means increasing Social Security taxes paid by working Americans.

In fact, the NASI poll found that seven in ten respondents across generations and income levels supported a package of Social Security reform proposals that are nearly identical to the Social Security 2100 Act, including:

- Gradually, over ten years, eliminate the cap on earnings taxed for Social Security.
- Gradually, over twenty years, raise the Social Security payroll tax that workers and employers each pay from 6.2 percent to 7.2 percent.
- Increase the cost-of-living adjustment (COLA) to more accurately reflect the spending patterns of seniors.
- Raise Social Security’s minimum benefit.

## **Conclusion**

In closing, Mr. Chairman, I wish to congratulate you on the development of the Social Security 2100 Act. For years, our members have told us that they want and need their Social Security benefits boosted. They want fairer cost-of-living adjustments that reflect retirees’ true living expenses. They want the wealthy to start paying their fair share in Social Security payroll contributions. And, because the program is so popular, even today’s workers are willing to gradually pay more to guarantee that they and other future retirees receive their full earned benefits. The 2100 Act achieves all of that — and more.

Not only do our members support this bill, the American public has affirmed the principles that it embodies in poll after poll, across party lines and age groups. Meanwhile, the public has roundly rejected proposals for “reforming” Social Security, including privatization, raising the retirement age and imposing stingier COLA formulas.

Therefore, H.R. 860 represents the consensus of an overwhelming majority of Americans to close Social Security’s modest funding gap and improve Social Security benefits. It strikes the right balance between the overall financial needs of the program and the specific needs that still exist for strengthening the protections that Social Security provides. Mr. Chairman, the National Committee supports the provisions included in H.R. 860 and proudly endorses it. We look forward to working with you and members of the subcommittee to enact this commonsense legislation.