



Social Security Reform

Solvency and People with
Disabilities



Social Security Structure

Not just about retirement

- Over 1/3 of benefit payments made each month go to 17 million **non-retirees**



Social Security Act

- Title II Old Age, Survivors, and Disability Insurance
- Title XVI Supplemental Security Income
- Title XVIII Medicare
- Title XIX Medicaid



Solvency debate deals with:

Title II = OASDI

- Old Age, Survivors, and Disability Insurance
NOT SSI



Insurance, not investment programs

- Old Age -- insures against poverty in retirement years
- Survivors -- insures dependents in event of death of worker or retiree
- Disability -- insures against loss of ability to earn due to disability



Why is this our issue?

People with disabilities receive benefits throughout all of the Title II programs



Where are people with disabilities?

- **Old Age**
 - Retirees
 - Spouses
 - Disabled Adult Children
- **Survivors**
 - Minor children and spouses of deceased workers and retirees
 - Disabled Widow(er)s
 - Disabled Adult Children
- **Disability Insurance**
 - Disabled Workers
 - Disabled Adult Children



How are benefits earned?

- Through FICA (Federal Insurance Contributions Act) taxes paid
- Earn credits for each \$920 earned (up to 4 work credits per year - “quarters of coverage”)



How are benefits earned?

- For retirement: 40 credits
- For disability: 20 credits in last 10 years plus minimum based on age
- For survivors: 6 credits in 3 years plus formula
- Younger workers need fewer credits for disability or survivors coverage



How are benefits earned?

Disabled Adult Children:

- Benefits are based on the coverage earned by parent(s)
 - Up to 50 percent or 75 percent of the parent's benefit
- Many are now earning their own coverage in addition to their parent's coverage



Important Features of Social Security Not Replaced by Private Accounts

- Social Security is an *insurance* program -- protecting against poverty due to:
 - old age
 - disability (inability to work)
 - loss of family breadwinner/wage earner
- Social insurance - we all share the risks and costs - "premiums" are paid through payroll taxes



Important Features of Social Security Not Replaced by Private Accounts

- OASDI pays:
 - multiple beneficiaries
 - across generations
 - based on one worker's record
 - with automatic cost-of-living-adjustments
 - for the life of the eligible beneficiary



Trust Fund Reform Proposals

Possible approaches:

- ▣ Replace current system entirely with private accounts
- ▣ Replace current system partly with private accounts
- ▣ Strengthen and modernize the current system



Impact on Disability Programs

Possible Changes/Issues:

- Cuts in benefits (changing formula)
- Cost of living adjustments
- Raising the retirement age



Impact on Disability Programs

Other privatization issues:

- Access to private accounts
- Adequacy of accounts
- Retirement and survivors only
- Annuities
- RISK - shifts back to individual



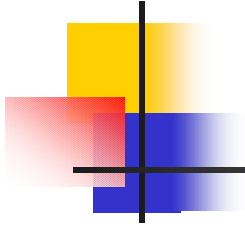
Social Security Reform Impact

- GAO report
 - January 2001 (GAO-01-35)
 - Compared 5 approaches to:
 - maintain benefits/raise taxes, and
 - reduce benefits/maintain tax rate
 - Used “best-case” scenario
 - very rosy
 - age 45; lives till 79; full-time work until receipt of benefits; low administrative costs; equity return of 7 percent; and no annuitization costs for IAs.



Social Security Reform Impact

- Under the three plans which did not maintain benefits or guarantee at least current benefits:
 - reform proposals would reduce insurance benefits while providing IA benefits;
 - IA benefits are less likely to make up the difference than for retirees; and
 - benefit income for dependents would be lower with no IA replacement - and only while “worker” receives benefits.



- Looking at separate provisions, most would reduce insurance benefits for people with disabilities.
 - PIA (primary insurance amount) formula change
 - reductions in COLA
 - (p. 32) impact on disabled adult children
- Increase in SSI program costs
- (p. 36) Concluding Observations -- GAO raises concerns similar to those raised by CCD

- “Our use of a ‘best case’ scenario demonstrated that, even under the best of circumstances, Social Security reform proposals would reduce current-law benefits to DI beneficiaries -- people who would find it more difficult than most nondisabled retired workers to replace lost benefits with other sources of income such as earnings.”



President's Commission to Strengthen Social Security

- Presidential Commission
 - Commissioners all supported private accounts
 - Perspectives of all beneficiaries should have been heard
 - Public hearings -- no witnesses representing people with disabilities
 - Separate meeting; informal; not on the record
- Basis for current proposal



Our Message

- Maintain basic structure based on worker's payroll taxes
- Preserve social insurance disability, survivors, and retirement programs
- Guarantee benefits with inflation adjustments
- Preserve Social Security trust funds to meet needs of current and future beneficiaries



Our Message, cont.

- Change is necessary within basic structure, but
- Not so drastic as to undermine or dismantle basic structure
- Insist on **beneficiary impact statement** for every reform proposal
- Not enough to address impact of change on the budget
- Impact on people must be understood



Where to learn more

- CCD testimony - reviews disability issues in more detail (Oct. 3, 2002)
- GAO Report (Jan. 2001 – GAO-01-35)
- Center on Budget and Policy Priorities (cbpp.org)
- Series of CCD fact sheets and power point presentation (in development for wide distribution)