

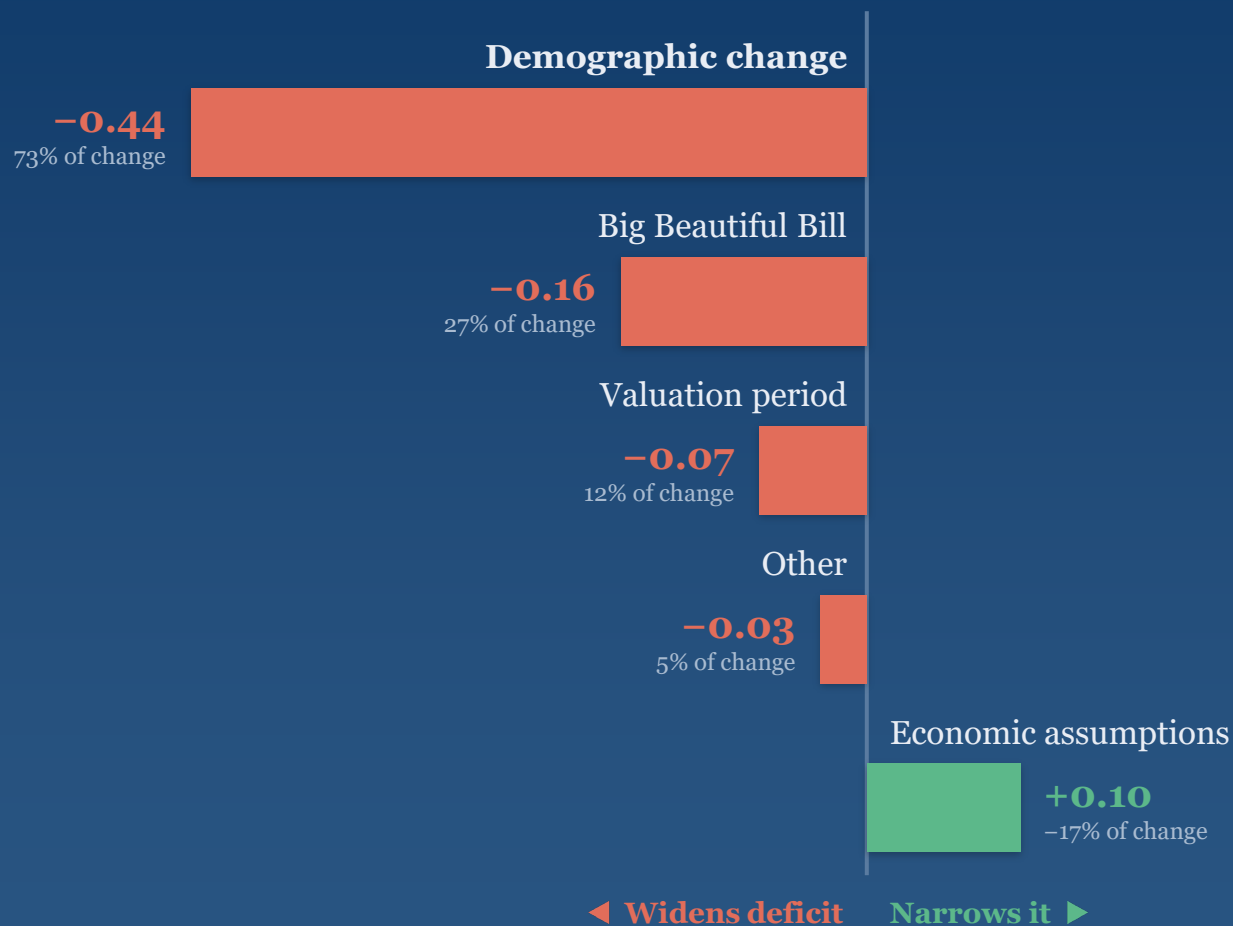
Restoring Social Security: Solvency and Reducing Elderly Poverty

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Deficit is Large and has Increased

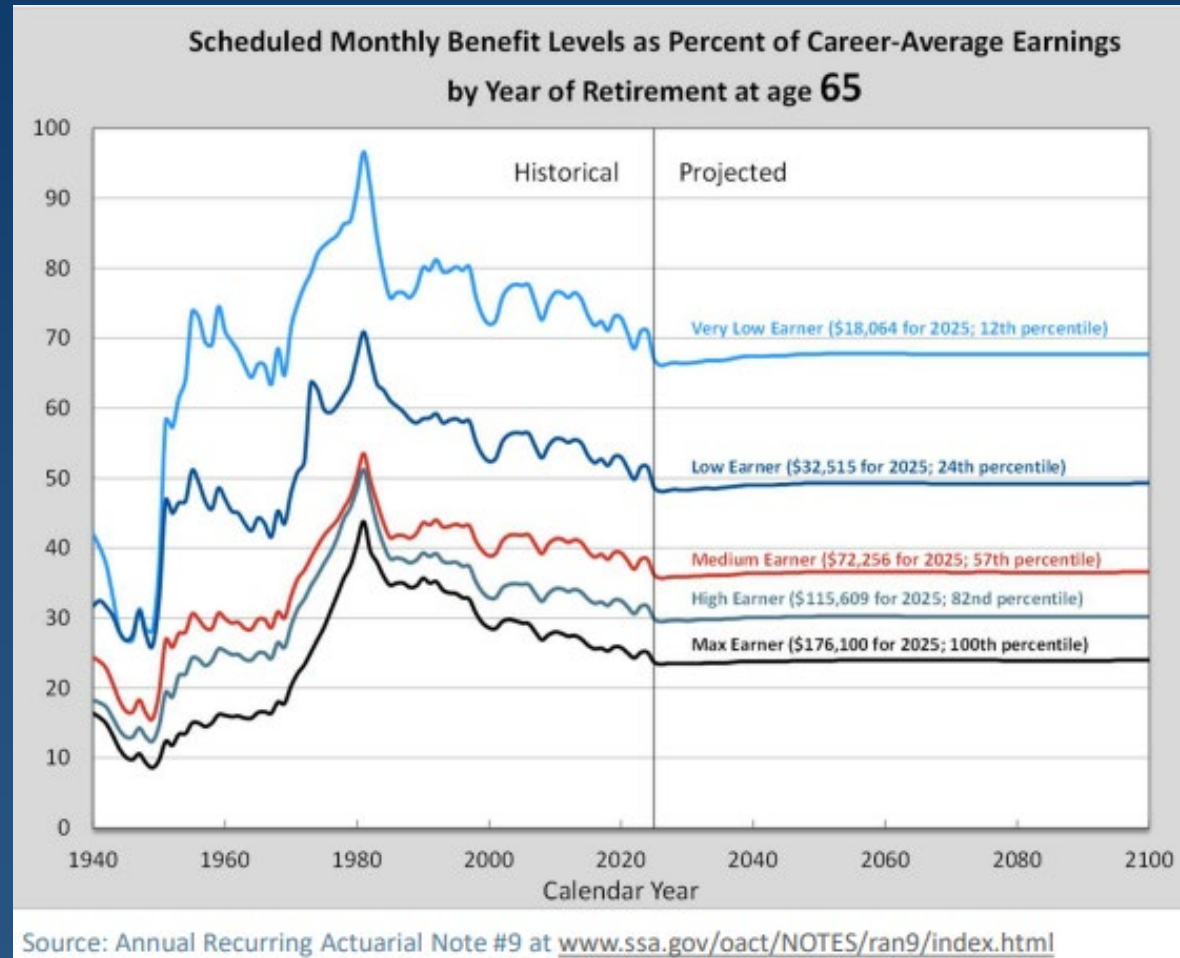
The 75-year deficit (as a % of taxable payroll) grew from **-3.82%** to **-4.42%**: a 0.60-point increase from 2025 to 2026



Social Security Trust Funds: Why?

- Why do we have trust funds?
 - The trust funds provide an essential reserve so benefits can be paid even when current income alone is not enough
 - Social Security (OASI and DI) cannot borrow; can only spend what has been collected. If reserves become depleted, full benefits cannot be paid
 - The trust funds force Congress to act in order to continue paying benefits on time and in full
- To make shortfalls comparable over years, they are often scaled as a percent of taxable payroll (TP)
- For example, in 2050:
 - TP will be 28.5 trillion (T)
 - Income will be \$3.78 T, or 13.25% of TP
 - Cost will be \$4.82 T, or 16.93% of TP
 - So the shortfall would be **3.68%**

Replacement Rates Based on the 2025 Trustees Report



Higher benefits for families – disability and survivors

Elderly Safety Net Choices

- Restoring 75 years of solvency to Social Security
- Restoring 25 years of solvency to the Medicare (HI) Trust Fund
- Increase Social Security benefits substantially
- Reducing Medicare premiums for low-income Medicare beneficiaries
- Capping out-of-pocket spending for Medicare
- Adding Long Term Care Services to Medicare (Home Care, SNF)
- Adding dental, vision, and hearing benefits to Medicare
- Improve SSI benefits

Current Politics

- Parties far apart
- Ds – no benefit reductions, all tax increases
- Trump – no benefit reductions
- CATO, Biggs (AEI), Progressive Policy Institute – Want a flat benefit
- Congress has become very partisan
- Thus, a centrist approach to show support from former R and D Members.

Principles (in order of priority)

- Solvency
- No general fund financing
- Maintain the bipartisan nature of the program
- No benefit reductions for current beneficiaries
- Universal participation
- Increase the overall progressivity of the program
- Increase risk protection

TABLE 3

Estimated Life Expectancy in Years at Age 62, by Sex and Income Quintiles for 1930 and 1960 Birth Cohorts (SSA)

	Quintile 1	Q2	Q3	Q4	Q5	Difference between Q5 and Q1
Male						
1930	13.6	16.8	18.4	19.9	22.0	8.4
1960	15.3	18.8	21.3	23.5	25.6	10.3
Change	1.7	2.0	2.9	3.6	3.6	
Female						
1930	18.3	20.6	22.1	23.2	22.9	4.6
1960	19.7	23.2	24.5	25.1	26.1	6.4
Change	1.4	2.6	2.4	1.9	3.2	

SOURCE: Office of the Chief Actuary, SSA

NOTE: Income quintiles defined by average indexed monthly earnings (AIME).

Bipartisan Plan (Major Provisions)

- Heavy Hitters
 - Taxable max to 90% →
 - Up retirement age by 3 years in top quintile →
 - Increase years in formula from 35 to 40 →
 - Place all taxation proceeds into OASI →
- Innovative
 - Grandparent assistance →
 - DI change →
- Child provision
 - Eliminate Retiree Child Benefit →
 - Restore student benefit →
- Most controversial
 - Universal coverage →
 - Immigration provisions →
- Total (includes excluded provisions) →
- Revenues increases equal net benefit reductions

	Budget Impact 2025-35, Billions	
% TP	(\$)*	
0.66	-730.2	
0.55	-1.3	
0.39	-19.0	
0.87	-755.1	
-0.04	61.5	
-0.10	211.6	
0.03	-75.0	
-0.07	111.4	
0.15	-4.8	
0.30	-117.2	
3.58	-2,291.2	

Letter of Support from former Senate and House members

- “While we may not agree with every single provision, we firmly believe this is excellent place from which Congress should start negotiations on restoring solvency to Social Security.”
- “We would urge Congress to significantly improve the supplemental security income program and reduce elderly poverty, which has increased by over 50% in the last four years.”

Former Republicans	Former Democrats
1. Rep. Bill Gradison (R-OH)	1. Rep. Thomas J. Downey (D-NY)
2. Rep. Charles Boustany (R-LA)	2. Rep. Mike Andrews (D-TX)
3. Rep. and Sen. Dan Coats (R-IN)	3. Rep. and Sen. Tom Daschle (D-SD)
4. Rep. Phil English (R-PA)	4. Rep. Dick Gephardt (D-MO)
5. Rep. Nancy Johnson (R-CT)	5. Rep. Earl Pomeroy (D-ND)
6. Rep. Jim McCrery (R-LA)	6. Rep. Marty Russo (D-IL)
7. Rep. Tom Reed (R-NY)	7. Rep. Jim Slattery (D-KS)
8. Rep. Fred Upton (R-MI)	8. Rep. Henry Waxman (D-CA)
9. Rep. James C. Greenwood (R-PA)	9. Rep. Joseph Crowley (D-NY)
10. Rep. William M. Thomas (R-CA)	10. Rep. Timothy J. Penny (D-MN)

How to Completely Restore Solvency for 75 years

Social Security Trust Fund expected to be exhausted in 2032

- CBO 75-year deficit: **4.71%** of taxable payroll (TP) (not updated)

Change in Provisions

- Increase taxable maximum ceiling to 92% -> 0.15% of TP improvement
- Increase payroll tax to 13.6% -> 0.81% of TP improvement
- Increase retirement age to 73 years for high earners -> 0.47% TP improvement
- Important to get to 75 years to convince younger generations that Social Security will be there when they retire

Source: Modifying the Social Security Blueprint in response to a deteriorating outlook

Insufficient Financing Should Not Result in Substantial Changes to Social Security Principles

- Andrew Biggs (AEI), the Cato Institute, and the Progressive Policy Institute shift Social Security from wage replacement to a flat benefit.
- These plans would face strong political opposition
- Would require revenue reductions
- Flat benefit does not work for disability and survivor benefits
- Poverty among older adults is only about 6%
- Poverty reduction can be achieved through SSI improvements, reduction in Medicare premiums for low-income elderly, and additional housing funds

Process – How to Get It Done

- Little chance this Administration tackles deficit or Social Security solvency
- Bill Hoagland and I recommend following George Bush and 1990 Summit
- Three money committees – budget, appropriations, and finance/WM – with chair and ranking member
- Leadership in both Houses from both parties
- President’s key economic people – OMB, Treasury, COS
- Roughly 22 members making tough political decisions on how to cut the deficit and restore solvency
- Membership needs to own the process, and substantial Presidential leadership is required
- 1983 Social Security fixes included solvency, SSI benefit increases, and Medicare changes

Opinion in Hill: <https://thehill.com/opinion/congress-blog/economy-budget/5910316-deficit-reduction-fiscal-summit/>

Plan for Today

- **Former Member Panel** Moderated by David Wessel (Brookings): Larry Bucshon, Tom Downey, Dick Gephardt, Jim McCrery
- Q & A
- **Report on Social Security Administration:** Devin O. Connor (CBPP)
- *(Break)*
- **Reducing Elderly Poverty:** Jack Smalligan (Urban Institute)
- **Stakeholder Panel** Moderated by Amy Goldstein (Brookings), Neil Bradley (Chamber), Lee Goldberg (AFL-CIO), Jessica Johnston (NCOA), Bill Sweeney (AARP)
- Q & A
- **Concluding Remarks:** Jack Lew