

# POLICY STATEMENT

**AREA: INCOME SUPPORT**

**TOPIC: ECONOMIC SECURITY**

## **I. INTRODUCTION:**

Economic security, in its broadest interpretation, includes public commitments that every family and individual has access to economic resources sufficient to cover basic human requirements. The New York Citizens' Committee on Aging (NYCCoA), while acknowledging that economic security issues are important to everyone in today's society, will focus primarily upon those of paramount concern to an aging population. This Statement addresses Old Age Survivors and Disability Insurance (OASDI), pensions and private arrangements such as tax deferred annuities and other programs, and social assistance including the Supplemental Security Income (SSI) program.

## **II. BACKGROUND:**

There is growing insecurity for families in today's economy, as risk is increasingly being transferred from corporations and government to individuals and family members. Student's of income fluctuations in our society point out that there is a greater chance than ever before that major losses to family income will occur as a result of job loss, illness, death of major breadwinner or other financial catastrophe.

The provision of adequate income support services to older persons in America has relied upon a conceptual framework often described as a three-legged stool. Historically, an ideal retirement income relied upon private pensions, savings, and a floor provided by social insurance programs such as OASDI. Over time the implementation of this concept became unrealistic for many older persons whose economic status precluded the accumulation of adequate savings. This situation has been exacerbated in recent years by the decline of fully funded private pension systems or defined benefit plans, as greater risk has been transferred to retirees. Thus, for a significant percentage of the aging population, publicly funded income support programs have become the major, if not only, source of economic security.

Since the 1930s and the inception of OASDI and other federally supported income maintenance programs, our society has been unable to reach a consensus about the ways in which social insurance programs should be implemented. While there is widespread agreement that some fiscal support should be provided by the government to needy individuals and families, we have not been able to come together with regard to how these programs should be designed. This inability to reach consensus has impeded any attempts to develop an equitable and consistent system of income support. The result has been a patchwork of federally and locally funded/ administered public assistance programs with many gaps and inequities.

### **III. POLICY STATEMENTS:**

#### ***1. Social Security:***

NYCCoA continues to support the OASDI program as currently constituted. The argument that social security will soon be bankrupt represents fear mongering to induce major deleterious changes in the program.

- a. We reaffirm the views stated in our March 2003 position paper on Social Security.
- b. We reiterate our opposition to any reduction in benefits and to private accounts as options under the program.

#### ***2. Private Pensions:***

Private pensions have historically been conceived as defined benefit plans wherein employees received fixed payments upon retirement. Plans were funded by private or public employers whose contributions were invested to produce income for retired employees. Many of these traditional plans required employee contributions that were folded into the pension fund. Eligibility for these plans usually required that employees work for the employer for a significant period of time. Many, but not all of these plans were required to adhere to funding guidelines to ensure adequate fiscal reserves.

Over the past decade defined benefit plans have become endangered species. For a variety of reasons, mostly associated with the inability or unwillingness of employers to fund these programs, workers have been induced or required to accept a variety of defined contribution plans, such as Tax Deferred Annuities and other self funded instruments. Most of these plans require significant contributions by employees over time.

While defined contribution plans may be useful to many people, the degree of risk makes them unacceptable as stand alone benefits. The current laws governing plans such as 401K are also inadequate to protect employees from corporate mismanagement or fraud. The tremendous tax subsidies furnished by the Federal government to encourage employers and employees to fund pension plans are not succeeding in providing a stable and robust private pension system.

*The New York Citizen's Committee on Aging:*

- a. Supports the proposal by the Economic Policy Institute that government require all employers who provide pensions to enroll their workers automatically.
- b. Supports mandated employer contributions or direct government contributions where necessary to guarantee lower income workers a more satisfactory retirement income.

### **3. *Savings:***

Savings have been the third leg of the traditional “stool,” long considered to be the foundation of economic security for older persons. This “leg” has been whittled away by unprecedented decreases in national savings rates. The reasons for this decline are varied and complex. The result however, has been an increase in dependence upon the other supports such as social security and pension systems. Some of these resources have undoubtedly been diverted to defined contribution plans, such as tax deferred annuities, etc. At present, personal savings can no longer be relied upon to contribute significantly to economic security arrangements.

### **4. *Social Assistance:***

Social Assistance includes those programs serving persons who have been determined in need of public support after the implementation of a means test. The major Social Assistance programs that serve the elderly are Supplemental Security Income (SSI), Food Stamps, Medicaid and the NYS Senior Citizen Rent Increase Exemption (SCRIE) program. Recipients of these programs, whose funding has been shared by federal, state, and local governments, have long been stigmatized. Programs are characterized by low benefit levels and onerous application/eligibility requirements.

*The Citizen’s Committee on Aging believes:*

- a. Low income persons are entitled to fair and courteous treatment in their pursuit of governmental services.
- b. Implementation of this principle in the public sector is a priority for the Committee.
- c. Applicants should have adequate access to selected and trained personnel, reasonably placed sites for application and review procedures, and eligibility determination and review materials and mailings that are understandable.

### **5. *Supplemental Security Income:***

Supplemental Security Income (SSI) provides a minimum monthly payment to persons who are disabled or aged (65 and older). Persons are eligible if they fail to qualify for OASDI, or if the person’s OASDI benefit is below the SSI benefit level. This benefit provides economic resources to people who would otherwise be forced to rely upon the locally funded welfare programs such as public assistance. The primary weakness of this program is the level of economic benefit provided, which is below the national poverty line. Eligibility requirements for this program generally preclude payments to persons with minimal savings or other financial resources.

*The Citizen’s Committee on Aging recommends that:*

- a. The federal government set the federal SSI payment level of persons residing in their own homes at 100% of the nationwide poverty level
- b. New York State provide an additional 25% supplement to compensate for the higher cost of living in the state.
- c. Annual Cost of Living Adjustments (COLA's) automatically be made available to SSI recipients, to avoid having to legislate the issue annually.
- d. New York State maintain the current automatic Medicaid eligibility of SSI recipients.

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*Approved May 2005*