



*working together to advance the quality of
life of older New Yorkers*

TOPIC: SOCIAL SECURITY

Background

Social Security (OASDI - Old Age, Survivors and Disability Insurance) is the bedrock social insurance program in the United States. It is the foundation of the American retirement system. It has kept more people out of poverty than any other program.

The future solvency of the Social Security system has become a national debate in recent years, in large part because of the flood of "baby boomers" entering retirement in the years immediately ahead. This debate has flourished at a time when it has become politically incorrect to advocate for tax increases.

Recent developments

President George W. Bush campaigned for bringing individually owned private accounts into Social Security as the means to save Social Security. To achieve that goal, he appointed a Commission that presented three options for implementing private accounts.

Experts* have argued strongly that, far from saving the system, the proposed individual accounts would exacerbate the problem of maintaining Social Security's solvency in the long run.

Other ideas presented to ensure system solvency have included raising the FICA tax base and/or rate, adding general revenue funds, raising the retirement age for full and/or reduced benefits, adding individual accounts as add-on to current benefits, and investing trust funds in the stock market.

For many years, Social Security has been a priority issue of the New York Citizens' Committee on Aging. As recently as 1999, the Committee adopted a statement of principles. The Statement requires little change in 2003.

STATEMENT OF SOCIAL SECURITY PRINCIPLES of the NEW YORK CITIZENS' COMMITTEE ON AGING:

The New York Citizens' Committee on Aging believes in a modernized Social Security system where:

- the benefit structure remains universal and portable and guarantees monthly benefits that provide an income not below the poverty level, adjusted for inflation.
- the current provisions for survivors and disability benefits remain without harmful benefit reductions.

- the beneficiaries continue to receive benefits related to their earnings history and based upon a progressive formula.
- the retirement age is not raised beyond the currently scheduled increases because of the negative impact on those in physically challenging jobs and on groups with lower life expectancy.
- the basic benefit protections for women who have lower lifetime earnings and more caregiving responsibilities for children, parents or spouses are preserved and strengthened.
- Social Security taxes are not diverted into privately owned accounts.
- government, not the beneficiaries, bears the market risk of any investment of trust funds the Social Security Administration may choose to make in the stock markets. Benefit levels must remain independent of profits / losses in investments.
- there is a broad-based education program to bring the full scope of OASDI benefits to the attention of the American people, particularly younger workers.

Additionally, the Committee believes that while Social Security must continue as the foundation of the American retirement system, new policies are needed to strengthen employer-sponsored pensions and to spur private savings. These policy initiatives should be in addition to, rather than at the expense of, policies to preserve and strengthen Social Security.

Approved March 2003

**Experts cited:*

- *Alicia Munnell, Ph.D. Director, Boston College Center for Retirement Research; Peter F. Drucker Chair in Management Sciences, Boston College Carroll School of Management.*
- *Peter Diamond, Ph.D. Institute Professor and Professor of Economics. Massachusetts Institute of Technology*
- *Peter R. Orszag, Ph.D. Joseph A. Pechman Senior Fellow in Economic Studies. The Brookings Institution*
- *Paul Krugman, Ph.D. Professor of International Trade and International Economics. Princeton University.*