SOCIAL SECURITY

The Social Security Program and the Social Security Offsets

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Presentation Overview

I. The Social Security Program:
   • General information, data, and statistics
   • Current reform proposals

II. The Social Security Offsets:
   • Government Pension Offset
   • Windfall Elimination Provision
   • NARFE’s agenda and advocacy
I. Status of the Program

• As of 2006, 49 million Americans receive Social Security (SS) benefits.
  – 34 million are retired workers
  – 7 million are survivors
  – 7 million are disabled workers
• 162 million workers are covered under SS
  • 52% of the workforce has no private pension
  • 31% of the workforce has no retirement savings set aside
2007 Program Snapshot

Worker Tax rate: 7.65% of salary, up to $97,500
Average Wage level: $40,000

Beneficiaries:

Retired worker: $1,044/month
Retired worker and aged spouse: $1,712/m
Disabled worker: $978/m
Aged widow/er: $1,007/m
SS is the major source of income for the elderly

• 9/10 individuals over 65 receive SS benefits.
• SS benefits represent 41% of the income of the elderly.
• 55% of married couples and 75% percent of unmarried persons receive 50% or more of their income from SS.
• 21% of married couples and 45% of unmarried persons rely on SS for 90% of more of their income.
SS is not just a retirement program!

• 70% of SS beneficiaries are retired workers and their dependents.

• Meaning about 1/3 are:
  – 16% are disabled workers and their dependents.
  – 14% are survivors of deceased workers (spouses and young children).
More on Worker Protections

• About 91% of today’s workers age 21-64 and their families have protection under SS in the event of a long-term disability, and 97% have survivor protection for their young children and surviving spouse caring for the children.

• Almost 3 in 10 of today’s 20-year-olds will become disabled before reaching 67. 1 in 7 will die before reaching 67.

• 70% of today’s workforce has no long-term disability insurance.
Actuarial Issues

- In 1935, the life expectancy of a 65-year old was 12.5 years, today it’s 17.5 years.

- By 2031, there will be twice as many older Americans as there are in 2007—up from 37 million to 71 million.

- There are currently 3.3 workers for each SS beneficiary. In 2031, there will be 2.2 workers for each beneficiary.
Reform Proposals

• Discussions to limit “entitlement spending” include the Social Security program!

• Divert SS payroll taxes (FICA) to private accounts managed by individuals, not the SS Trust Fund (many current proposals suggest diverting 4% of the worker’s 7.65% payroll taxes into private accounts)

• Private accounts as part of SS or in addition to?
  – Role of 401(k)s, IRAs, administrative costs and burdens
Status of SS Reform

• No ‘one’ White House or Congressional SS Reform Proposal as of Now
  – NARFE will be tracking the 110th Congress
  – Much discussion expected with 2008 Presidential Election—will that translate into action?
NARFE’s Legislative Program for the 110th:

• Opposed to replacing SS benefits with private individual accounts
• Opposes investment of SS reserves in investments other than U.S. Treasury securities
• SS program should provide universal and fair coverage; annual COLAs; financial security for: the disabled, survivors, and dependents; efficient administration of the program
II. Social Security Offsets

The SS program covers 96% of workers, but about 25% of public sector employees do not pay SS payroll taxes.

Approximately 5.75 million federal, state, and local government workers are “non-SS covered employees”

-750,000 federal employees
Government Pension Offset (GPO):

Affects a government worker with a pension where SS taxes were NOT paid (for CSRS retirees eligible to retire December 1982 or later).

The SS spousal benefit (from spouse’s work under SS) will be offset by 2/3 of the annuitant’s own annuity—this reduces or eliminates the SS benefit.
Who is affected by the GPO?

- Approximately 390,000 individuals, representing less than 1% of SS beneficiaries.
- 41% are widows/ers
- 75% are women
- 21% have an annuity of less than $1000/month
Windfall Elimination Provision (WEP)

• Affects a government worker with a pension where SS taxes were NOT paid but who also earned SS in other jobs. (for CSRS or FERS retirees with CSRS-component eligible to retire January 1986 or later).

• The SS benefit is reduced by a computation formula. It can result in a loss of 60% of the individual’s SS benefit; for 2007 it is a maximum monthly loss of $340 ($4080/yr).
Who is Affected by the WEP?

- Approximately 635,000 individuals, about 1.3% of SS beneficiaries
  - 66% are men
  - 3.5% of these individuals had incomes below the poverty line.
NARFE’s Legislative Program for the 110th:

• NARFE supports the repeal or reform of the Social Security GPO and WEP.
GPO-WEP Legislation in the 110th:

• Repeal legislation:
  – H.R. 82
    • Rep. Howard Berman (D-CA) and Rep. Howard ‘Buck’ McKeon (R-CA)
      – 234 cosponsors
  - S. 206
    - Sen. Dianne Feinstein (D-CA) and Sen. Susan Collins (R-ME)
      - 15 cosponsors
SS Actuarial Figures
Over Ten Years

• Eliminating the GPO: $32.2 Billion

• Eliminating the WEP: $29.7 Billion

Total Cost of Repeal: $61.9 Billion
GPO-WEP Modification

- H.R. 726-Rep. Barney Frank (D-MA) eliminates the WEP for individuals below $2,500 of monthly income, and provides for a graduated WEP above this $ amount

- Changes to the formulas/implementation based on income: carry lower cost implications for the SS Trust Fund
Legislative Strategy

• Advance the legislation in Congress through the tax committees in order to obtain passage
  – Senate Finance Committee, Chaired by Max Baucus (D-MT)
  – House Ways and Means Committee, Chaired by Charles Rangel (D-NY)
• Continue collaborative legislative efforts with CARE members who represent other impacted public sector employees
Who do we Contact?

• Your Representative and Your Two Senators
  • Congressional Staff (Social Security Staff member/Civil Service Staff member)

• NARFE members

• Current government employees who are nearing retirement and who will be affected
  • In addition to current federal employees: postal employees, teachers, police, fire fighters, state and county employees
What do we do?

NARFE Members:

- Visits to local district offices
- Letters/faxes to local district offices
- Calls to local district offices and to Washington offices
- E-mails/webforms via computer
What Do We Do?

NARFE Leaders:

• Keep your chapter and federation active on this issue---organize periodic district visits/advocacy campaigns

• Be Ready for and Respond to Legislative Dept. when Capitol Hill developments demand immediate action