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Senate Special Committee on Aging  
Social Security: Keeping the Promise in the 21<sup>st</sup> Century  
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Chairman Kohl, Ranking Member Martinez, and members of the Committee, thank you for giving me the opportunity to testify on behalf of the National Women's Law Center. There has been much discussion about the future of Social Security in recent years, but too often that discussion has portrayed Social Security as a problem that needs to be brought under control, rather than a source of economic security for nearly 52 million Americans and their families. Thank you for holding this hearing on ways to strengthen and improve Social Security.

The importance of the secure benefits that Social Security provides was highlighted by the hearing this Committee held in February, "Boomer Bust? Securing Retirement in a Volatile Economy." Sources of income in retirement other than Social Security are shrinking, and their risk is being more apparent. Traditional pensions are disappearing at an accelerated rate. Employers are cutting back or eliminating contributions to defined contribution plans. Both 401(k)s and housing prices have plummeted, and may not recover in time for those at or near retirement. Many older Americans report that they would like to stay in the workforce longer than they had planned or return to work – but have found that the jobs just aren't there.

The truth is, for most Americans – even before this recession -- Social Security has been the foundation of economic security in retirement. The three-legged stool isn't a reality for most Americans: the Social Security leg is much taller and stronger than the others.

Social Security accounts for more than half of the total income of two out of three Americans 65 and older. This is true even though the benefits that Social Security provides are modest; the average retired-worker benefit was \$13,900 a year in May 2009.<sup>1</sup> For one in three beneficiaries age 65 and older – and nearly half of single (widowed, divorced and never-married) women 65 and older -- Social Security provides nearly all (90%) of their income.<sup>2</sup>

Social Security is the foundation of the retirement security pyramid – and building up that base is the most effective way to increase retirement security for Americans in an environment of increased economic risk. Fortunately, it will not take an extreme makeover of Social Security to keep the promise in the 21<sup>st</sup> century.

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<sup>1</sup> Office of the Chief Actuary, Social Security Administration, Online Beneficiary Data, available at <http://www.ssa.gov/cgi-bin/currentpay.cgi> ["Online Beneficiary Data"].

<sup>2</sup> Social Security Administration, Income of the Population 55 and Older, 2006 (2009), available at [http://www.ssa.gov/policy/docs/statcomps/income\\_pop55/2006/index.html](http://www.ssa.gov/policy/docs/statcomps/income_pop55/2006/index.html).

Social Security already has many of the features of an ideal pension system. It's virtually universal; fully portable between jobs; covers low-paid, part-time and temporary workers and the self-employed; provides secure, predictable, life-long retirement benefits not subject to the ups and downs of the market or the risk of depletion prior to reaching retirement; keeps up with increases in the cost of living; provides benefits to spouses, surviving spouses, and divorced spouses, and dependent children; includes disability and life insurance benefits as well as retirement benefits; imposes few responsibilities on employers; and is highly efficient, spending less than 1% of the funds collected each year on administrative costs.<sup>3</sup> And, while Social Security faces a long-term shortfall, it has sufficient resources to pay 100% of promised benefits for three decades, and 76% of promised benefits after that, according to the latest estimate of the Social Security Trustees.<sup>4</sup> With some adjustments, Social Security can continue to make progress in helping older Americans, and others, avoid poverty and maintain a decent standard of living.

My testimony will discuss why it is important to improve Social Security benefits and some ways that Social Security can be improved for economically vulnerable older Americans, such as improving widow(er)'s benefits, benefits for low lifetime earners and caregivers, and modernizing Supplemental Security Income. But, Social Security isn't just a retirement program. It's a family insurance program that provides disability and life insurance benefits to workers and their families, including children – one million of whom are lifted out of poverty by Social Security.<sup>5</sup> When Congress considers Social Security reforms, it should also consider ways to improve Social Security for vulnerable beneficiaries who rely on Social Security's non-retirement benefits.

### **The Need to Improve Social Security**

Social Security has dramatically reduced elderly poverty. Yet, despite Social Security, 2.5 million women and 1 million men 65 and older are still living in poverty; 12% of older women, and 6.6% of older men, are poor.<sup>6</sup> More than one in four older Black women (27.3%) and one in five Hispanic women (20%) are poor.

Single older women – widowed, divorced and separated, and never-married – are far more likely to be poor than are married women. The poverty rate for married women is 4.8%, compared to 15.8% for widows, 22% for divorced and separated women, and 21% for never-married women.<sup>7</sup>

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<sup>3</sup> Virginia Reno and Joni Lavery, National Academy of Social Insurance, "Social Security and Retirement Income Adequacy," Social Security Brief No. 25 (May 2007) available at [http://www.nasi.org/publications2763/publications\\_show.htm?doc\\_id=482679](http://www.nasi.org/publications2763/publications_show.htm?doc_id=482679).

<sup>4</sup> See Joni Lavery, National Academy of Social Insurance, "Social Security Finances: Findings of the 2009 Trustees Report," Social Security Brief No. 30 (2009), available at [http://www.nasi.org/publications2763/publications\\_show.htm?doc\\_id=910750](http://www.nasi.org/publications2763/publications_show.htm?doc_id=910750).

<sup>5</sup> See Arloc Sherman, Center on Budget and Policy Priorities, "Social Security Lifts One Million Children Above the Poverty Line" (2005), available at <http://www.cbpp.org/5-2-05socsec.htm>.

<sup>6</sup> U.S. Census Bureau, March Supplement to the 2008 Current Population Survey ("2008 Current Population Survey").

<sup>7</sup> *Ibid.*

There are multiple reasons for women's greater economic vulnerability in retirement.<sup>8</sup> Women earn lower wages than men and spend more time out of the labor force for caregiving, sometimes by choice and sometimes because they cannot afford the high cost of child or elder care. These combine to produce lower lifetime earnings. Lower lifetime earnings, in turn, mean workers have lower retirement income from pensions, savings and Social Security. In addition, women generally live longer than men; over a longer lifespan, assets are depleted, income other than Social Security is eroded by inflation, and medical needs and costs increase. And, women spend more years in retirement without the support of a spouse.

Women have greatly increased their participation in the paid labor force in recent decades, and the gap between men's and women's earnings has narrowed. Future cohorts of women will receive higher Social Security benefits as workers, and are more likely to have other work-related retirement benefits than today's female retirees. Yet substantial gaps remain, and women remain at higher risk of poverty in old age than men.

The wage gap for women working full time, year round, is smaller than in the past but persistent; overall, women earn 78% of what men earn, and the earnings gap is particularly large for women of color. Black women earn 38% less and Hispanic women earn 47% less, on average, than White, non-Hispanic men.<sup>9</sup> Women are still more likely than men to work part time or take time out of the labor force for family caregiving,<sup>10</sup> making the lifetime earnings gap between women and men far greater than the annual earnings gap.<sup>11</sup>

Trends in the labor market in recent decades present increased challenges to the economic security of low-wage workers, both men and women. Declining wages and reduced job opportunities for low-skilled, low-wage workers put such workers at even greater risk of poverty.<sup>12</sup>

Finally, scheduled changes in Social Security benefits disproportionately affect low-income beneficiaries. The increase in the full retirement age, which is gradually being raised from 65 to 67, is the equivalent of an across-the-board benefit cut. The size of this cut is equal, in percentage terms, for those with low and high Social Security benefits. But for those with low benefits, who are also more likely to rely on Social Security for most or all of their income, the reduction in Social Security benefits will have a greater impact on their total income. Also, those

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<sup>8</sup> See Government Accountability Office, "Women Face Challenges in Ensuring Financial Security in Retirement," GAO-08-105 (October 2007) ["GAO 2007"], available at <http://www.gao.gov/products/GAO-08-105>, and Tori Finkle, et al., Institute for Women's Policy Research, "The Economic Security of Older Women and Men in the United States" (December 2007).

<sup>9</sup> 2008 Current Population Survey, *supra*.

<sup>10</sup> GAO 2007, *supra*.

<sup>11</sup> Stephen J. Rose and Heidi I. Hartmann, Institute for Women's Policy Research, *Still a Man's Labor Market: the Long-Term Earnings Gap* (2004).

<sup>12</sup> Laura Sullivan et al., Institute on Assets and Social Policy, Heller School, Brandeis University, "Enhancing Social Security for Low-Income Workers: Coordinating an Enhanced Minimum Benefit with Social Safety Net Provisions for Seniors," available at [http://www.nasi.org/publications2763/publications\\_show.htm?doc\\_id=819522](http://www.nasi.org/publications2763/publications_show.htm?doc_id=819522) (2008) ["Sullivan et al. 2008"].

with lower lifetime earnings will be more likely to experience these reductions because they tend to file for Social Security retirement benefits at younger ages than those with higher earnings.<sup>13</sup>

## **Ways to Improve Social Security for the 21<sup>st</sup> Century**

### *Improve widow(er)'s benefits*

Widows are a majority, 55%, of all poor elderly women, although poverty rates are higher for never-married and divorced women.<sup>14</sup> And, widows are projected to remain the largest group of poor elderly women by marital status for decades to come.<sup>15</sup> This makes improvement of the widow(er)'s benefit an important element of Social Security reform. However, it should be considered as just one part of a package.

In the future, while widows will remain the largest group of poor elderly women, changes in marriage and divorce patterns mean that a larger proportion of poor women will be never-married or divorced. More women, especially Black women, will enter retirement never having been married, or having been divorced after a marriage that lasted fewer than ten years.<sup>16</sup> They will be ineligible to receive Social Security benefits as a spouse or widow, and would not be helped by improvements in the widow(er)'s benefit. Other reforms, such as improvements to benefits for lifetime low earners and caregivers, should be part of a package of reforms to ensure adequacy and equity of benefits.

### The current widow(er)'s benefit

Before describing the reform proposal, I'll briefly describe the retirement benefits Social Security provides for the spouses, surviving spouses, and divorced spouses of retired workers. A spouse is eligible for a retirement benefit equal to 50% of the worker's benefit; a surviving spouse, to a benefit equal to 100% of the worker's benefit, assuming no early retirement reductions apply. Divorced spouses and divorced surviving spouses, if married to the worker for at least ten years, are entitled to the same benefits as current spouses. These spousal benefits are equally available to men and women, husbands and wives, widows and widowers, but virtually all (98.6%) of the recipients of benefits as a surviving spouse are women.<sup>17</sup>

Social Security spousal benefits are designed to ensure basic income security for spouses and surviving spouses when a worker retires or dies. A beneficiary can receive the higher of her or his own worker benefit or the benefit to which she or he is entitled as a spouse or surviving

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<sup>13</sup> See Karen E. Smith et al., Urban Institute, *Final Report: Modeling Income in the Near Term* (2007), available at <http://www.urban.org/publications/411571.html>.

<sup>14</sup> 2008 Current Population Survey, *supra*.

<sup>15</sup> Karen E. Smith, Urban Institute, "How Will Recent Patterns of Earnings Inequality Affect Future Retirement Incomes?" (2003) ["Smith 2003"], available at <http://www.urban.org/publications/411164.html>.

<sup>16</sup> One study found that among women born in the 1960s, 82% of White women, 85% of Latina women, and 50% of Black women will reach retirement with a qualifying marriage. Madonna Harrington Meyer et al., Center for Policy Research, Maxwell School, Syracuse University, "How Will Declining Rates of Marriage Reshape Eligibility for Social Security?" (2006), available at <http://econpapers.repec.org/paper/maxcprpbr/33.htm>.

<sup>17</sup> Online Beneficiary Data, *supra*.

spouse, but not both, a policy referred to as the “dual entitlement” rule. A couple of examples, which assume that both spouses claim at full retirement age, illustrate how it works:

(1) George receives a monthly Social Security benefit of \$1,000 per month. His wife Martha does not have sufficient credits to qualify for Social Security and receives a spousal benefit of \$500, giving the household combined benefits of \$1,500 per month. At widowhood, Martha receives a benefit of \$1,000, 67% of their combined benefits.

(2) John and Abigail have equal lifetime earnings and equal monthly benefits of \$750, for combined benefits of \$1,500. At widowhood, Abigail receives a \$750 benefit, because her benefit as a worker offsets her benefit as a widow dollar for dollar. The benefit she receives as a widow is 50% of their combined benefits.

The examples above illustrate a few important points about the current widow(er)’s retirement benefit. First, household Social Security benefits drop at widowhood by 33% to 50%. While the cost of maintaining a household declines when there is only one person to support, it does not fall by half, or even by a third. Using the Census Bureau’s poverty thresholds as a guide, a one-person elderly household needs 79% of the income of a two-person household to maintain the same standard of living. Second, the decline in Social Security benefits at widowhood is largest for households in which the spouses’ earnings were more equal. Third, the survivor of a dual-earner couple who contributed more to Social Security over their working lives can end up with a lower benefit than the survivor of a single-earner couple that contributed less. The increase in labor force participation by married women, and the increased share of household income contributed by wives, ironically means that more widows in the future will experience a drop in household Social Security benefits that approaches 50%.

Claiming benefits before full retirement age can further reduce the benefit received by a surviving spouse. The widow(er)’s benefit is the *smaller* of: the benefit received by the deceased spouse, including any reduction for claiming benefits prior to full retirement age, subject to a floor of 82.5%; or, the benefit the deceased spouse would have received at full retirement age, reduced for the number of months the surviving spouse claims widow(er)’s benefits prior to the survivor’s full retirement age.<sup>18</sup> (On the other hand, a surviving spouse will benefit from the delayed retirement credits earned by a higher-earning spouse who waits beyond full retirement age to claim benefits.) Lower-income workers are more likely to need and claim their Social Security benefits early, reducing potential benefits for a surviving spouse as well as themselves.<sup>19</sup>

The drop in Social Security income at widowhood is a significant factor in widows’ poverty. And, it is often accompanied by a drop in pension income, loss of earnings from a spouse who

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<sup>18</sup> For a further discussion, see Joan Entmacher, National Women’s Law Center, “Strengthening Social Security Benefits for Widow(er)s: The 75% Combined Worker Benefit Alternative” (2008), available at [http://www.nasi.org/publications2763/publications\\_show.htm?doc\\_id=819521](http://www.nasi.org/publications2763/publications_show.htm?doc_id=819521) [“Entmacher 2008”].

<sup>19</sup> Smith 2003, *supra*.

was still employed, or depletion of assets due to medical and other expenses associated with the death of a spouse.<sup>20</sup>

### Proposals for improving widow(er)'s benefits

One approach to improving widow(er)'s benefits is to calculate it as a larger fraction of the couple's combined benefits. This concept has been part of Social Security reform discussions for more than a decade, including the 1994-96 Advisory Council on Social Security, the 2001 report of the President's Commission to Strengthen Social Security, various bills introduced in Congress, and analyses by researchers and advocates.<sup>21</sup>

As part of a project to develop proposals to improve Social Security for vulnerable groups, conducted by the National Academy of Social Insurance with the support of the Rockefeller Foundation's Campaign for American Workers Initiative,<sup>22</sup> I was able to develop and analyze a variant of this concept.

The goals of the proposal are to improve the adequacy of benefits for surviving spouses and the equity of benefits for dual- and single-earner couples. It would allow surviving spouses, including divorced spouses eligible for survivor benefits, to receive the higher of the current law widow(er)'s benefit or a benefit calculated under a new, alternative formula.

The alternative benefit would be equal to 75% of the couple's combined retired-worker benefits. This feature of the proposal would increase its effectiveness in reducing the disparity in benefits between single- and dual-earner couples. Second, the value of the deceased spouse's benefit used in the calculation would not be reduced because of that spouse's decision to claim benefits before full retirement age. Finally, the size of increase available under the proposal would be capped – for example, at the level of the benefit for a career average earner – to target increased benefits to those who are economically vulnerable and reduce the cost of the proposal. Individuals whose current law benefits exceed the cap would continue to receive the current law benefit.

The proposal would improve the adequacy and equity of benefits for the surviving spouse when both spouses worked for modest pay. It would be easy to implement, because Social Security already collects all the information needed to calculate benefits under the proposal, and beneficiaries would automatically receive the higher of their benefit under current law or the

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<sup>20</sup> Kathleen McGarry and Robert F. Schoeni, "Medicare Gaps and Widow Poverty," Social Security Bulletin, Vol. 66, No. 1 (2005), available at <http://www.ssa.gov/policy/docs/ssb/v66n1/v66n1p58.pdf>. In addition, those most likely to be widowed tend to have lower income before widowhood than intact couples, reflecting poorer health and less education. Nadia Karamcheva and Alicia Munnell, Center for Retirement Research at Boston College, "Why Are Widows So Poor?" (July 2007), available at [http://crr.bc.edu/briefs/why\\_are\\_widows\\_so\\_poor\\_.html](http://crr.bc.edu/briefs/why_are_widows_so_poor_.html).

<sup>21</sup> See Entmacher 2008, *supra*.

<sup>22</sup> The National Academy of Social Insurance published a report summarizing the twelve papers, *Strengthening Social Security for Vulnerable Groups* (2009); links to the report and the 12 papers are available at [http://www.nasi.org/publications2763/publications\\_show.htm?doc\\_id=805665](http://www.nasi.org/publications2763/publications_show.htm?doc_id=805665) ["*Strengthening Social Security for Vulnerable Groups*"].

alternative calculation. The level of the cap could be adjusted to determine the potential benefits – and cost – of the proposal.<sup>23</sup>

Disabled widows and widowers are a small but particularly vulnerable group that could be assisted by other changes to Social Security eligibility rules. These individuals are unable to work because of disability, have lost the income of a spouse, and do not qualify for disabled worker benefits. But some are denied benefits as disabled widow(er)s under rules that require that a disabled widow(er) be at least 50 years old and that disability occur within seven years of the spouse's death or last eligibility for benefits as a caretaking parent. The limitations serve little purpose for a group that is, by definition, unable to work; the cost of removing these restrictions would be minimal and would help individuals at high risk of poverty.

A different approach to changing the way Social Security benefits are calculated for married individuals than basing the survivor benefit on 75% of combined benefits is “earnings sharing.” With earnings sharing, the earnings records of a husband and wife during the period of the marriage are combined, and then divided, for the purpose of computing Social Security benefits. The concept embodies the appealing concept of marriage as an economic partnership, and was the subject of debate and detailed analyses in the late 1970s and 1980s.<sup>24</sup> However, these early studies identified difficult implementation and transition issues and unexpected distributional consequences.<sup>25</sup> With the significant changes in women's work and marital histories in the last few decades, researchers have given earnings sharing another look.<sup>26</sup>

A just-published analysis by researchers in the Social Security Administration examined how three options for earnings sharing would affect benefits for retirees in 2030. It found that they would *reduce* benefits compared to current law for about six in ten affected individuals, and increase benefits for fewer than three in ten.<sup>27</sup> The decreases in benefits under the earnings sharing options were particularly severe for widows and widowers. More than eight in ten widows and widowers would see a benefit decrease; the average decline in benefits would be 16% to 27% for widows, 15% to 19% for widowers, depending on the option. These results led the researchers to explore another option that deviated from earnings-sharing principles: allowing spouses to inherit the unshared portion of a spouse's earning record for the years of marriage. This improved the outcomes; still, a third of widows would see their benefits reduced by an average of 10%. It appears that some of the earlier concerns about earning sharing remain; recently analyzed options for earning sharing continue to present difficult transition and implementation issues and unexpected distributional consequences.

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<sup>23</sup> For a range of cost estimates for similar proposals, see Entmacher 2008, *supra*.

<sup>24</sup> For a review of the literature, see Melissa Favreault and C. Eugene Steuerle, Urban Institute, “Social Security spouse and survivor benefits for the modern family” (2007), available at <http://www.urban.org/publications/311436.html> [“Favreault and Steuerle 2007”].

<sup>25</sup> *Ibid.*; see also Edith Fierst and Nancy Duff Campbell, *Earnings Sharing in Social Security: A Model for Reform*, Report of the Technical Committee on Earnings Sharing (1988).

<sup>26</sup> Favreault and Steuerle 2007, *supra*, analyzed several earnings sharing options in conjunction with other benefit changes.

<sup>27</sup> Howard M. Iams, et al., Social Security Administration, “Earnings Sharing in Social Security: Projected Impacts of Alternative Proposals Using the MINT Model,” *Social Security Bulletin*, Vol. 69 No. 1 (May 2009), available at <http://www.ssa.gov/policy/docs/ssb/v69n1/v69n1p1.html>.

### *Improve Social Security Benefits for Low Lifetime Earners and Caregivers*

This part of my testimony will be brief, because Melissa Favreault, one of today's witnesses, has developed a proposal for a new minimum benefit to assist workers with low lifetime earnings, including those whose work histories have been interrupted by caregiving, unemployment, or poor health.<sup>28</sup> However, I do want to emphasize the importance of reforming benefits for low lifetime earners and call the Committee's attention to other reform options.

The regular Social Security benefit formula is progressive. It provides workers with low lifetime earnings benefits that represent a higher percentage of their pre-retirement income than higher-income workers. However, benefits are proportional to average lifetime earnings, and for workers with very low lifetime earnings, benefits calculated under the regular formula will still be very low. For example, under the regular formula, a worker who retires at age 62 after 40 years of work at the minimum wage would receive a benefit equal to about 82% of poverty.<sup>29</sup> Many retired workers, especially women, receive benefits that provide less than a poverty-level income: 45% of female workers and 19% of male workers received below-poverty benefits in 2006.<sup>30</sup>

Social Security has an alternative benefit formula, the Special Minimum Benefit (SMB), intended to "provide long-term workers with an income that would free them from dependency on welfare."<sup>31</sup> Workers receive the higher of a benefit calculated under the SMB or any other benefit to which they are entitled, under the regular formula as a worker or as a spouse, surviving spouse, or divorced spouse of a higher earner.

However, the current SMB does little to help workers with low benefits. In December 2007, fewer than 100,000 beneficiaries – less than two-tenths of one percent of all beneficiaries – received benefits under the SMB.<sup>32</sup> Largely because the SMB is price-indexed, while the regular formula is wage indexed, the number will continue to drop. After 2013, no newly retiring workers are expected to benefit from the SMB.<sup>33</sup>

While the SMB is disappearing, the problem the SMB was supposed to address has not. In fact, falling wages and growing instability in the low-wage labor market are making the problem worse.<sup>34</sup>

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<sup>28</sup> Melissa Favreault, Urban Institute, "A New Minimum Benefit for Low Lifetime Earners" (2008), available at [http://www.nasi.org/publications2763/publications\\_show.htm?doc\\_id=819525](http://www.nasi.org/publications2763/publications_show.htm?doc_id=819525) ["Favreault 2008"].

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*

<sup>31</sup> See Kelly Olsen and Don Hoffmeyer, "Social Security's Special Minimum Benefit," Social Security Bulletin 64(2) (2001-2002), available at <http://www.ssa.gov/policy/docs/ssb/v64n2/v64n2p1.pdf> [Olsen and Hoffmeyer 2001].

<sup>32</sup> Social Security Administration, *Annual Statistical Supplement to the Social Security Bulletin*, 2008, Table 5.A8 (2009).

<sup>33</sup> Olsen and Hoffmeyer 2001, *supra*.

<sup>34</sup> Sullivan et al. 2008, *supra*.

There are several options for reform. In addition to the proposals developed by Ms. Favreault, Mr. Biggs, and myself, other ideas for improving benefits for low-income workers, providing credits for caregiving, and assisting vulnerable groups were recently developed and analyzed as part of the NASI project funded by the Rockefeller Foundation.<sup>35</sup>

### *Improve Supplemental Security Income*

Social Security is not the only program that provides economic security to older Americans. Supplemental Security Income (SSI) is a means-tested program that provides income to poor people age 65 and older, and to poor blind or disabled people.

Ironically, because of the rules governing SSI and other means-tested benefit programs, a modest increase in Social Security benefits – for example, in the widow(er)’s benefit or minimum benefit – could make some beneficiaries worse off. A small increase that put a beneficiary over the SSI eligibility threshold could mean the loss of Medicaid, Supplemental Nutrition Assistance Program Benefits (formerly Food Stamps) or Low-Income Home Energy Assistance Program benefits.

By coordinating policy changes to Social Security, SSI, and other benefit programs, Congress could ensure that beneficiaries are protected from unintended consequences if Social Security benefits are improved.<sup>36</sup> And – even without changing Social Security – Congress could modernize SSI, as described below, to increase economic security for low-income older Americans.

### Update SSI rules for disregarding Social Security benefits and asset limits

A majority of SSI recipients receive Social Security benefits as well. However, under SSI rules, with the exception of a \$20 per month disregard, every \$1 of Social Security income reduces SSI income by \$1. So, low earners with a substantial work history, but whose Social Security benefits are still below SSI eligibility levels, receive just \$20 per month more than individuals with no history of Social Security contributions. This amount has not been changed since 1974.<sup>37</sup>

Indexing the disregard for inflation since 1974 would raise it to about \$89 per month (\$105 per month if it had been indexed to wages); these adjustments would boost the income, and reduce the poverty gap, for older Americans.<sup>38</sup> (If Congress also increased Social Security benefits, raising the disregard for Social Security income in SSI would reduce, but not entirely eliminate, the impact of that increase on eligibility for other assistance programs.)

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<sup>35</sup> *Strengthening Social Security for Vulnerable Groups, supra.*

<sup>36</sup> Sullivan et al. 2008.

<sup>37</sup> Kilolo Kijakazi, Center on Budget and Policy Priorities, “Women’s Retirement Income: The Case for Improving Supplemental Security Income” (June 2001)

<sup>38</sup> Sullivan et al. 2008, *supra*.

The SSI program also has a restrictive asset limit: \$2,000 for an individual, \$3,000 for a couple, amounts that have not increased since 1989. An adjustment for inflation would bring them to about \$3,500 for an individual, \$5,300 for a couple; a further increase would better reduce the disincentive to save and allow elders to maintain more of a reserve in case of emergency.<sup>39</sup> In addition, while a traditional defined benefit pension is not considered an asset for purposes of SSI (the income is counted for determining income eligibility), the accumulation in a defined contribution plan, now the most common form of retirement plan, counts against the SSI asset limit. To equalize the treatment of different forms of retirement plans, retirement accounts could be treated as annuitized income.<sup>40</sup>

By modernizing SSI rules, Congress could enable low-income older Americans to derive greater benefits from their own Social Security benefits and savings. These changes would not affect the solvency of the Social Security Trust Funds, although they would affect the cost of SSI, which is funded with general revenues.

### **Conclusion**

For generations, Social Security has, in the words of President Franklin Roosevelt, provided some measure of protection to workers and their families against the “hazards and vicissitudes of life” and a “poverty-ridden old age.” I thank the Committee again for holding this hearing on ways to keep that promise in the 21<sup>st</sup> century, and for giving me this opportunity to testify.

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<sup>39</sup> *Ibid.*

<sup>40</sup> Zoe Neuberger et al., Retirement Security Project, “Protecting Low-Income Families’ Retirement Savings: How Retirement Accounts Are Treated in Means-Tested Programs and Steps to Remove Barriers to Retirement Savings” (2005), available at [http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Retirement\\_security/RSPAssetTestReport0605.pdf](http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Retirement_security/RSPAssetTestReport0605.pdf).