

August 20, 2013

Subject: Opposition to Benefit Adjustments that Reduce Social Security Benefits

Dear Chairman Camp and Representatives Levin, Johnson, and Becerra:

The National Women's Law Center (NWLC) submits these comments in opposition to proposals to cut Social Security benefits by adjusting the benefit formula advanced by Erskine Bowles and Alan Simpson, co-chairs of the National Commission on Fiscal Responsibility, and the Domenici-Rivlin Task Force. (NWLC submitted comments on August 6, 2013, objecting to proposals to cut benefits by adopting the chained CPI.) Social Security is critical to the economic security of women—but even with Social Security, women are at greater risk of poverty as they age than men. This Committee should be focusing on ways to expand benefits, not cut them.

Social Security benefits are already modest, especially for women. The average benefit for women 65 and older is about \$12,700 per year, compared to about \$16,700 for their male counterparts. Yet women rely even more on income from Social Security than men do. Social Security provides over 60 percent of the family income of women 65 and older on average, and it is virtually the only source of income for three in ten women 65 and older. Thus, cuts to Social Security benefits would be especially harmful to women's economic security.

Raising the full retirement age, as proposed by Bowles-Simpson, is simply an across-the-board benefit cut. It reduces benefits by about seven percent for every year's increase in the retirement age—so raising the full retirement age from 67 (the current-law level for individuals born in 1960 or later) to 69 would cut benefits by about 14 percent. The same percentage cut would apply to individuals at all benefit levels, but it would represent a larger cut in the total retirement income of women and low earners who are especially reliant on income from Social Security. Moreover, the cut would apply whether an individual claims benefits at 65, 67, or 69. If the full retirement age were raised to 69, an individual who waited until age 69 would receive a higher benefit than one who claimed at age 67; but she would still get about 14 percent less at age 69 than she would have received if the full retirement age had stayed at 67, because she would lose delayed retirement credits.

In addition, Bowles-Simpson propose to change the percentages in the basic benefit formula to reduce benefits for all but the very lowest earners. The analysis of this proposal by the Office of the Chief Actuary of the Social Security Administration shows that benefits would be cut slightly for workers with career average earnings of just \$10,771; the cuts would be deeper for workers with higher earnings. By 2060, this provision would cut benefits by 7.9 percent for workers with career average earnings of \$43,084; 22.7 percent for workers with career average earnings of \$68,934; and 30.6 percent for workers with career average earnings of \$106,800 (all earnings figures are stated in wage-indexed 2010 dollars).

The Rivlin-Domenici Task Force proposed two changes in the benefit formula which also were analyzed by the Social Security Administration's Chief Actuary. One proposal would index the benefit formula for longevity. This proposal would reduce benefits by an equal percentage for retirees across the income spectrum—reducing total income more for women and other low-income beneficiaries who are more reliant on Social Security—and get deeper for future retirees. By 2060, benefits would be cut by 10.6 percent; by 2080, by 15.1 percent. Another proposed cut by Rivlin-Domenici would apply to workers with career average earnings above \$57,000; by 2060, this cut would be 2.3 percent for a worker with career average earnings of \$68,934 and 7.9 percent for a worker with career average earnings of \$106,800 (all earnings figures are stated in wage-indexed 2010 dollars).

Both the Bowles-Simpson and Rivlin-Domenici reports propose improvements in Social Security's Special Minimum Benefit to mitigate the impact of their proposed benefit cuts on low-income beneficiaries, and in its draft bill the Committee similarly includes proposals to increase the minimum benefit along with benefit cuts. The current Special Minimum is in urgent need of reform; it is virtually worthless now, and a well-designed improvement could be especially helpful to women and other workers with low earnings. But if the increase in the minimum benefit were part of a package that also includes benefit cuts, many vulnerable beneficiaries could be worse off. For example, an analysis of the full Bowles-Simpson plan by Virginia Reno and Elisa Walker at the National Academy of Social Insurance, including its minimum benefit increase, found that in 2070 it would reduce benefits for 92 percent of seniors overall; and, despite claims that the plan would protect those most in need, would reduce benefits for 81 percent of seniors in the lowest-income quintile.

Although this Committee has invited comment on proposals to cut benefits advanced by Bowles-Simpson and Rivlin-Domenici, it has neither mentioned nor invited comments on another important element of both plans: proposals that would strengthen Social Security by increasing revenues to the program. Given the increasing importance of Social Security for most Americans as pensions continue to disappear, it is striking—and profoundly disappointing—that the proposals summarized by the Committee and its draft legislation to “reform” Social Security rely entirely on cutting benefits that Americans earn and depend on.

Cutting benefits is not the way to “protect and preserve” Social Security. The NWLC urges this Committee to instead consider proposals that would raise revenue, enhance benefits, and improve the solvency of the program.

Thank you for the opportunity to comment.

Sincerely,



Joan Entmacher  
Vice President for Family Economic Security