

BACKGROUND

Retirement security is a vitally important issue. Financial security in retirement provides essential peace of mind for older Americans. Historically, a secure financial foundation has been envisioned as a three-legged stool with support from Social Security, pensions, and savings or investments. As many retirees and near-retirees saw their earnings, savings and investments fall due to the recession, and their pension plans diminish or fail, this three-legged foundation is no longer secure for many seniors. Two out of three Social Security beneficiaries age 65 and older depend on Social Security for at least half of their total income. One in three seniors receiving benefits relies on Social Security for 90 percent or more of their income. For 80 years, Social Security has been the bedrock on which the vast majority of older adults have built their retirement security. Social Security along with the Medicare and Medicaid programs have kept many of these older adults from falling into poverty, suffering ill health or otherwise struggling to live independently and with dignity. For these older adults, their retirement foundation is precariously perched on one endangered leg.

Political agendas that again propose privatization of Social Security and proposals that would cut Medicare and Medicaid benefits are troubling. Privatizing Social Security by taking payroll tax money that now goes into the Social Security trust funds and investing it in private investment accounts will dismantle the Social Security program causing increased retirement risks, severe cuts in benefits, and potentially an increase in the federal debt. Proposals that will privatize Medicare and cut benefits or raise beneficiaries' share of premiums or increase the age of eligibility will cause people to forgo necessary medical care, endangering their health and potentially creating the need for more acute and expensive interventions in the long term. Cutting Medicaid resources will put some of the nation's most vulnerable older adults in harm's way without the safety net it provides. Nationwide, retirees are seeing their pension reduced or cancelled as businesses eliminate their pension plans or switch to 401K savings plans instead of defined benefit plans employer pensions. In addition, public sector employees are at risk as state lawmakers hand out tax breaks for corporations, diverting revenue that could fund their employee pensions.

RECOMMENDATIONS

Congress must take action to preserve and enhance Social Security, Medicare and Medicaid programs. Solving the nation's debt problem cannot be used as an excuse to cut these vital programs.

Social Security – The National Academy of Social Insurance recently released a package of four options that would reduce the long term funding gap and strengthen the program for future generations. Using “trade-off analysis” they conducted a survey of customers in October 2014 to

learn which combinations of product features consumers prefer and are willing to pay for. The results, which were supported, by 71% of the respondents include the following four options:

1. Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security (this would mean that the 6% of workers who earn more than the cap would pay into Social Security, and would receive somewhat higher benefits). This would decrease the long-term (75 years) financing gap by 74%.
2. Gradually, over 20 years, raise the Social Security tax rate on employees and employers from 6.2% of earnings to 7.2%. This change would decrease the financing gap by 62%.
3. Increase Social Security's cost-of-living adjustment (COLA) to reflect the higher level of inflation experienced by older people. This would increase the financing gap by 14%.
4. Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at age 62 or over and not be below the poverty line (\$11,670 a year for one person in 2014). This would increase the financing gap by 9%.

Overall, these four changes in Social Security would result in a net decrease in the financing gap of 113% meaning that Social Security would be more than able to pay full benefits for the next 75 years. **We urge Congress to give serious consideration to implementing these four options.**

Medicare - provides health care for 54 million seniors and people with disabilities while **Medicaid** is the single largest source of health care coverage in the nation, covering some 68 million low-income children, families, pregnant women, workers, people with disabilities and seniors. Since health care costs are one of the leading drivers of bankruptcy and because these programs serve so many people who are already living in poverty, preserving and strengthening Medicare and Medicaid is one of the biggest things that can be done to preserve retirement security. Working to strengthen and improve these programs by ensuring new coverage options and models of care that reach communities of color and low-income families and improve access to the services they most need is vital to protect the health and economic security of some of our most vulnerable citizens. **We urge Congress to oppose Medicare proposals that cut benefits or raise beneficiaries' share of premiums or increase the age of Medicare eligibility. Likewise, we ask Congress to oppose proposals that will merely shift Medicaid costs to consumers and states, reducing access to care. We also encourage Congress to find ways to strengthen and enhance these vital programs.**

Both private and public sector **pensions** continue to fail; reducing benefits already earned by retirees and replacing defined benefit plans with 401(k) savings plans thus further exacerbating the pension dilemma. While 401(k) plans sound reasonable, employees cannot save if they don't earn. Retirement under-saving is a major problem. **The federal government should take steps to raise rates of retirement saving throughout the economy to ensure workers' pensions are fully funded and workers can count on what they were promised.**

We agree with Secretary of Labor Perez's statement that "America must make sure that people who have worked hard their whole lives are not left out in the cold when time comes for retirement."