



BIPARTISAN POLICY CENTER

July 25, 2019

The Honorable Richard Neal
Chairman
House Ways and Means Committee
2309 Rayburn House Office Building
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee
1011 Longworth House Office Building
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

At a time when wage growth is slow and Americans are spending more years in retirement, many in the U.S. are at risk of outliving their savings.¹ Since the Social Security Act was signed into law in 1935, Americans have relied on Social Security for a significant, and reliable, portion of their retirement income. But the program is currently paying out more in benefits than it is collecting in taxes.² Without reforms, Social Security's Old-Age and Survivors Insurance will be forced to reduce retirement benefits by almost a quarter beginning in 2034, which would leave millions of Americans without a large portion of their expected retirement income.³ The longer we wait to fix the financial dilemma that the Social Security system faces, the more dramatic future reforms will need to be, and the more they will be unfairly concentrated on younger generations.

That is why the Bipartisan Policy Center (BPC) launched the Commission on Retirement Security and Personal Savings, led by former Senator Kent Conrad and the Honorable James B. Lockhart III. The Commission tackled the challenge of retirement security and strengthening Social Security head-on in its 2016 report.⁴ The comprehensive, bipartisan package of recommendations, including recommendations to modernize and shore up Social Security, would increase retirement savings for tens of millions of Americans and reduce old-age poverty.

Given the urgent need for action, BPC is pleased to see that the Ways and Means Committee—led by Chairman Neal and Subcommittee Chairman Larson—is taking this issue seriously and holding a legislative hearing on Social Security's financial challenges. We are further heartened by the fact that a specific solvency proposal, scored by the Office of the Chief Actuary, has been

¹ Federal Reserve Bank of Atlanta, "Wage Growth Tracker," 2019. Available at: <https://www.frbatlanta.org/chcs/wage-growth-tracker.aspx>.

² Social Security and Medicare Boards of Trustees, *The 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, April 2019. Available at: <https://www.ssa.gov/OACT/TR/2019/lr6g8.html>.

³ Ibid.

⁴ Bipartisan Policy Center, *Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings*, June 2016. Available at: <https://bipartisanpolicy.org/report/retirement-security/>.

put on the table to drive the conversation forward. Social Security is incredibly important for tens of millions of Americans, and it is our hope that more hearings like this one will drive attention to the problem and help lead to a long-lasting solution. Congressman Larson's Social Security 2100 Act contains several worthy elements, including bringing more revenues into the program and enhancing benefits for those who have worked long careers at low wages. As encouraging as it is to see this proposal put forward, however, any solution to Social Security's long-term insolvency needs to include members of both parties to achieve meaningful, sustainable change.

As you discuss this bill and others, we urge the Committee and Congress to take the opportunity to make updates to Social Security that reflect the 21st century American workforce and economy, including improving work incentives and increasing progressivity. BPC's package is one of the few bipartisan approaches that contains these elements, and when combined with improvements to the rest of the retirement savings system, would dramatically reduce poverty and make most Americans better off. Social Security modernization should be an issue both parties can support.

Our balanced package would strengthen Social Security's finances while also improving outcomes for the most vulnerable beneficiaries. One noteworthy element is the package's gradual adjustment of the full retirement age to reflect the fact that Americans are living longer, and as a result, drawing more benefits from Social Security. The last time policymakers legislated a change to the full retirement age was in 1983, and life expectancy at age 65 has increased by four years since then.⁵ The Social Security system cannot afford to ignore the fact that Americans are living longer, and a retirement age adjustment is one way to mitigate this financial strain on the program.

Another provision, among several that we believe should be paired with policies like the retirement age adjustment that curtail the program's growth, would institute a basic minimum benefit to enhance Social Security for low-income Americans. Specifically, an additional benefit amount would supplement the standard Social Security payments for low-income beneficiaries who are above the full retirement age. This policy acknowledges that some Americans have not seen the same increases in life expectancy over recent decades, and it would help to ensure that lower- and moderate-income beneficiaries are specifically provided for and taken care of under Social Security reform. For additional targeted policies that would help to boost benefits for vulnerable beneficiaries, please see the BPC Commission's full report.

We at BPC have realized that developing a practical, reasonable, bipartisan solution is not by itself sufficient—the public must be educated about these issues and motivated to achieve reform. To draw attention to the bipartisan consensus around the need to improve retirement security, BPC created the Funding Our Future campaign—a diverse coalition of educational and industry partners working to strengthen America's retirement policies.⁶ Social Security is one of the three main pillars of the campaign. As the backbone of retirement planning and savings, our Social Security system's finances needs to be addressed, for the sake of today's seniors and for generations to come.

BPC is encouraged that Congress is seeking solutions to advance retirement security, and we applaud the many members who are working to ensure that Social Security is on a stable financial

⁵ Ibid.

⁶ Funding Our Future, 2019. Available at: <https://fundingourfuture.us/>.

path for generations to come. We believe that modernizing and strengthening the fiscal health of the Social Security program will increase the well-being of millions of Americans in retirement. Other policymakers and political candidates for office should put forward their plans to address this critical issue. We hope that this hearing is used as the foundation for bipartisan negotiations to reform Social Security and make it sustainable; the retirement security of millions of Americans depends on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Shai Akabas". The signature is fluid and cursive, with the first name "Shai" being more prominent than the last name "Akabas".

Shai Akabas
Director, Economic Policy