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December 3, 1998

SOCIAL SECURITY ISSUES FACING THE ADMINISTRATION

The most important domestic policy debate of the next two years is the debate over Social Security. The decisions made will have profound effects on American life for decades to come.

Democrats are rightly proud of Social Security and their role in creating, expanding, and defending it. While many government endeavors yield mixed results and fall short of expectations, Social Security has been a spectacular success.

- The latest Census data show that without Social Security, 48 percent of elderly Americans would have been below the poverty line in 1997; Social Security alone lowered their poverty rate from 48 percent to 12 percent.
- Nine of every 10 elderly people lifted from poverty by government programs are lifted out by Social Security. Nearly two-thirds of Americans of all ages lifted from poverty by government programs are lifted out by Social Security. In other words, Social Security reduces poverty among the general population nearly twice as much as all other government programs combined.

Social Security is the elderly's main income source. Two-thirds of the elderly rely on it for more than half of their income. Elderly African Americans rely on Social Security for 76 percent of their income. Elderly Hispanics receive 87 percent of their income from it.

Social Security also is critical for disabled workers and their families and for the families of workers who die before retirement. Nearly one of every three Social Security beneficiaries receives disability or survivors benefits. This includes large number of children of workers who have become disabled or died before reaching retirement.

Social Security now faces a long-term financing problem. Although it can pay full benefits until 2032, it can pay only 70 percent to 75 percent of benefits (rather than 100 percent) after that.

There is little question among experts that this long-term imbalance can be closed without radical program changes. The imbalance can be closed without severe benefit cuts or large tax increases and without converting part of Social Security to individual accounts. Experts such as Robert Reischauer and Henry Aaron of Brookings, as well as former Social Security commissioner Robert Ball, have designed plans to restore long-term balance without deep benefit cuts or tax increases and without converting part of Social Security to private accounts. Rep. Earl Pomeroy plans to introduce legislation based on the Ball plan in January, possibly with House Democratic leadership backing. Given the

enormous success of Social Security, those who wish to make more radical changes in it bear a large burden in demonstrating why such changes ought to be made.

The Question of Individual Accounts

The most critical question is whether to replace part of Social Security with individual accounts. (Some proposals, including the Ball plan and the forthcoming Pomeroy bill, offer voluntary individual accounts *on top of* the Social Security structure but do not replace part of Social Security with individual accounts.) Proposals that replace part of Social Security with individual accounts have several troubling consequences.

Effects of these Proposals on Social Security Benefits

The Social Security trustees estimate that Social Security's funding shortfall equals 2.19 percent of taxable payroll over the next 75 years. Proposals such as the Reischauer/Aaron plan and the Ball plan would shrink this shortfall by slightly more than half by investing a portion of Social Security trust fund reserves in financial markets so these reserves can earn a higher rate of return. Such a step leaves a need for modest benefit and revenue adjustments equaling about *one percent* of taxable payroll over the next 75 years.

Compare this to the depth of the reductions in Social Security benefits required under one of the most painstakingly designed partial privatization proposals — a bill developed by a private panel known as the National Commission on Retirement Policy (NCRP) and introduced by Senators Gregg and Breaux and Reps. Kolbe and Stenholm, all of whom served on the panel. The proposal shifts two percentage points of the Social Security payroll tax from the Social Security trust funds to individual accounts. By removing these payroll tax revenues from the trust funds, the plan deepens the shortfall in the trust funds from 2.19 percent of payroll to about *four percent* of payroll. As a result, the plan necessitates steep reductions in Social Security benefits to close this financing gap (reductions several times deeper than those required under the type of plan that Reischauer and Aaron, and Ball, have fashioned).

According to estimates by the Social Security actuaries, an average wage-earner who retires in 2025 would face a 33 percent Social Security benefit reduction under the NCRP plan, compared to the Social Security benefits the retiree would receive under current law. An average wage-earner retiring in 2070 would face a 48 percent Social Security benefit cut. The NCRP plan includes a wide array of benefit cuts.

- It would raise the "normal retirement age" — now 65 and scheduled to rise to 67 by 2022 — to 70 by 2029 and 72½ by 2075. The *early* Social Security retirement age — the age at which individuals can retire and begin drawing

reduced Social Security benefits — would rise from 62 today to 65 by 2029 and 67½ by 2075.

- The plan would cut Social Security disability benefits nearly 20 percent for an average wage-earner who becomes disabled and for survivors of average wage-earners who die before retirement. These reductions are particularly serious since people who die or become disabled at a relatively young age will not have had time to accumulate much in their individual accounts.
- The plan would reduce Social Security spousal benefits one-third. It also would set the annual cost-of-living adjustment below the CPI.

To be sure, beneficiaries would receive income from their individual accounts to supplement their Social Security benefits. For some beneficiaries, this might offset the Social Security benefit reductions. But that would not be the case for other beneficiaries.

How much a beneficiary would receive from his or her individual account would be uncertain. While Social Security provides a "defined" — or guaranteed — benefit, individual accounts are "defined contribution" plans in which the income the accounts generate is *not* guaranteed and is subject to market risk. How much income an individual would receive from an account would depend on how the markets performed and how lucky or wise the individual was in his or her investments, as well as on what portion of the account was consumed by administrative and management fees.

Of note here is work by Gary Burtless of Brookings. He examined what would have happened to average male wage-earners of different ages who established individual accounts, contributed the same percentage of their earnings to these accounts, and made identical investments in indexed funds. He found that an individual reaching retirement age and converting his or her account to an annuity in 1975 — a year when the market was down — would have received a monthly annuity for the rest of his or her life *less than two-fifths as large* as the monthly annuity check an individual who reached retirement age and retired six years earlier, in 1969, would have received. Similarly, a retired worker who feared the market would keep falling and converted a retirement account invested in equities to an annuity or a savings account on August 31, 1998 would have lost 21 percent of his or her retirement income from the account, compared to the income the worker would have received if he or she had converted the account to an annuity just six weeks earlier. Steps can be taken to lessen the effects of market swings such as these on income from individual accounts, but the fact remains that under individual accounts, those who retire and convert their accounts to annuities during bear markets will have significantly less to live on than those fortunate enough to do so during bull markets.

A related concern is the potential for millions of Americans who are not sophisticated in investing to make unwise investment choices. SEC chair Arthur Levitt

recently wrote that "more than half of all Americans do not know the difference between a stock and a bond; only 12 percent know the difference between a load and no-load mutual fund; only 16 percent say they have a clear understanding of what an Individual Retirement Account is...." Levitt raised strong concerns about converting part of Social Security to individual accounts when public knowledge of investment basics is so limited.

Effects on Women

Individual accounts also raise other questions. For example, under Social Security, a divorced woman can receive Social Security spousal benefits if she was married at least 10 years, is 62 or over, and has not remarried. After her ex-spouse dies, she and her minor children by the ex-spouse can receive survivor benefits. The amounts she receives do *not* reduce the benefits the ex-spouse himself, and his current spouse if he has remarried, can receive. By contrast, an individual account would not grow larger to cover more beneficiaries in the event of divorce, death, or disability; *there would be no more money to go around*. Any amounts taken from an individual account — for instance for a divorced spouse — would reduce the amount remaining in the account for other beneficiaries. This poses risks for divorced women.

Individual accounts also pose risks for women who spend a number of years out of the labor force raising children or performing unpaid work in a school, church, hospital, or other setting. Social Security pays a spousal benefit to lower-earning spouses who would not otherwise receive a significant benefit based on their own earnings records. But an individual account does not enlarge to pay spousal benefits; it is limited to what the contributions to the account from a worker's earnings will support.

Widows could face substantial risks as well. Suppose workers are not required to convert their individual accounts to annuities when they retire; some workers could spend most or all of the funds in their accounts by the time they die, with little remaining in the accounts for spouses who outlive them. To address this problem, workers could be *required* to purchase annuities. But such a requirement could be hard to sustain politically over time. Can workers who retire during a bear market really be required to annuitize? How about workers who are terminally ill when they retire?

By contrast, Social Security benefits never run out before a widow dies. In addition, Social Security benefits are fully indexed for inflation no matter how long one lives; this is a feature that few private annuities now offer. If Social Security is partially replaced by private annuities that do not provide automatic inflation protection, the consequences could be severe for widows who live to a very old age and have little or no income other than Social Security. Even if inflation were just 2.5 percent per year, the value of an unindexed annuity would fall 43 *percent* between the time a worker retired at age 62 and the time he or she reached age 85.

Finally, individual accounts pose dangers for low-wage workers. The benefits that Social Security provides to a low-wage worker equal a much higher percentage of such a worker's pre-retirement earnings than the benefits that Social Security pays to a high-wage worker equal of that worker's earnings. Individual accounts generally provide no such redistribution to low-wage workers, or, for that matter, to widows, divorced women, low-earning spouses, disabled workers, or children who are the dependents of disabled or deceased workers.

Administrative Complexities and Costs

Another problem with individual accounts is that they could be difficult to administer, especially for small businesses. A new report from the respected Employee Benefit Research Institute (EBRI) cautions that establishing and administering individual accounts for 148 million American workers "could be the largest undertaking in the history of the U.S. financial market, and no system to date has the capacity to administer such a system." EBRI also warned that individual accounts cannot be administered like 401(k) plans, with contributions made each pay period through payroll deductions, without adding significant employer burdens, especially on the small-business sector.

Moreover, substantial sums in the individual accounts would be consumed by administrative costs and hence would not be available to provide retirement income. Annual fees on stock mutual funds now average 1.2 percent; a one percent annual charge on an individual account (the amount the Social Security Advisory Council estimated it would cost to administer privately managed accounts) would consume approximately 20 percent of the funds in the account over a 40-year work career. While there are ways to reduce administrative costs significantly by having a federal entity administer the accounts and limiting investment choices, the costs will remain substantial, reducing the retirement income the accounts generate. In addition, when a retiree converts the amount in his or her retirement account to an annuity, the company selling the annuity typically takes about another 15 percent to 20 percent of the account to cover its costs, risks, and profits. In combination, administrative costs and annuitization costs would consume a significant portion of the funds in these accounts. Finally, there is a potential for significant fraud and sales practice abuse at the expense of account-holders, as has occurred in Great Britain. This is a matter about which SEC chairman Levitt has recently spoken forcefully.

Another Approach to Individual Accounts: the Feldstein Plan

The biggest political obstacle facing proposals that seek to divert a portion of payroll tax revenue to individual accounts, such as the NCRP plan, is the deep cuts in Social Security benefits these plans entail. Martin Feldstein has developed an alternative approach that seeks to replace part of Social Security with private accounts without engendering these political problems.

The Feldstein approach, which is attracting growing interest, is extremely clever. It also, however, is in conflict with basic principles for which this Administration has stood since its first hours — principles of long-term fiscal responsibility, protecting children and future generations, and avoiding policies that further widen gaps between rich and poor.

Under the Feldstein plan, individual accounts would be established and initially financed by the budget surplus. When workers retired, their Social Security benefits would be reduced \$3 for each \$4 in retirement income they received from their individual accounts. As a result, all beneficiaries appear to come out ahead. In addition, the reduction in the amount of Social Security benefits that would be paid out would close Social Security's long-term imbalance, according to Feldstein's projections, and do so without any cuts in the Social Security benefit structure or any tax increases.

When something appears too good to be true, it usually is. This adage holds for the Feldstein plan.

- Although proponents of the plan present it as a "free lunch" that would restore Social Security solvency with no pain, analyses of the plan — including analyses by the Congressional Budget Office and the Office of the Chief Actuary at the Social Security Administration — show otherwise. Despite the fact that Social Security benefits under current law are projected to exceed payroll tax revenues, the Feldstein plan would *increase* government-funded retirement benefits to higher levels without providing any offsetting increase in government revenues to cover the added costs. The plan would consume the lion's share of the budget surpluses while they last, including surpluses projected in the non-Social Security budget, thereby squeezing new resources for other needs such as education, environmental protection, expanding health care coverage, or shoring up Medicare. When budget surpluses wane, securing the needed financing for the individual accounts would entail cutting back other parts of the federal government substantially, imposing hefty tax increases, or borrowing large sums and swelling the already-large budget deficits that CBO forecasts will return when the baby-boom generation retires in large numbers.

In this respect, the Feldstein plan is reminiscent of the feature of the first Reagan budget that David Stockman called a "magic asterisk." It leaves a big financing hole that future Congresses would have to address at some later date if a sea of red ink is to be avoided.

- Not only would the Feldstein plan necessitate substantial cutbacks in other parts of the budget or large tax increases if it is to be paid for, but the increase in retirement benefits the plan provides would be inequitably distributed. *Retirement income would rise much more, both in dollar terms and percentage terms, for those elderly already most well-off than for those with modest*

incomes. Cutting other government benefits or raising taxes to finance increases in retirement benefits disproportionately for the affluent elderly is a formula for exacerbating disparities in income in the United States, which already are at their widest point since the end of World War II.

- Of particular concern, the Social Security component of the Feldstein plan is likely to prove politically unsustainable over the long term. As noted, the plan reduces Social Security benefits \$3 for each \$4 in income from an individual account; as a result, many middle- and upper-income retirees eventually would receive most or all of their retirement income from their private accounts and little or none from Social Security benefits. Yet they still would be required to pay substantial payroll taxes to the Social Security trust fund. This almost certainly would erode the broad-based support that Social Security enjoys. A Social Security system that collects significant payroll taxes from everyone, but provides the bulk of its benefits to retirees who earned below-average wages during their working years and their spouses and survivors is not likely to endure. The private accounts will appear a much better deal than Social Security. The Feldstein plan thus contains the seeds of its own transformation to a fuller privatization of Social Security.

Investing a Portion of Social Security Reserves in Equities

The principal argument in favor of individual accounts is that such an approach would secure a higher rate of return. The higher rate of return can be secured, however, without exposing individuals to the risks that individual accounts pose and without risking the ultimate unraveling of the social insurance functions that Social Security provides. This can be done by diversifying the investment of Social Security reserves and investing a portion of the reserves in index funds in the equities markets, as former CBO director (and now Brookings senior fellow) Bob Reischauer has proposed with his Brookings colleague Henry Aaron.

As Reischauer and Aaron explain, investing a portion of the reserves in equities markets actually would secure a higher rate of return than individual accounts. Assume that individual accounts, on average, secure the average rate of return in the market. If a portion of Social Security reserves are invested in broad index funds, they, too, should earn the average rate of return. The return on the individual accounts, however, would be reduced by the sizeable administrative costs of managing 148 million such accounts. By comparison, the administrative costs involved in managing trust fund investments in the equities market would be very small. Because the administrative costs would be much lower, investing a portion of trust fund reserves in equities markets would yield a higher *net* rate of return than individual accounts, while protecting beneficiaries from the risks they would have to bear individually under a system of individual accounts.

Is Social Security Politically Sustainable Over Time if Combined with Private Accounts?

Plans that replace part of Social Security with individual accounts risk destabilizing Social Security over time. Under these plans, retired workers generally would receive substantially lower Social Security benefits than under current law; a portion of their Social Security benefit would be replaced with income from an individual account. Yet the workers would still pay substantial payroll taxes into the Social Security trust fund; under most of these plans, the payroll tax deposited in the Social Security trust fund would be two or three percentage points lower than under current law (i.e., the combined employee and employer contribution to the trust fund would equal 9.4 percent or 10.4 percent of earnings, as compared to 12.4 percent under current law).

The average worker's payroll taxes would need to remain high because a large share of these taxes would be used both to pay Social Security benefits to workers who had already retired or worked a substantial number of years before the individual accounts were established and to provide a more adequate level of income to retirees who had earned low wages, widows, divorced women, low-earning spouses, the disabled, and the children of disabled and deceased workers. As a result, the amount a typical middle-income worker received in Social Security benefits, compared to the amount he or she paid in, would appear low. Alongside such a Social Security system would stand individual accounts from which *no* funds would be taken to pay benefits to those who had already retired or worked for many years when the accounts were set up and *no* funds would be used to finance benefits for the vulnerable groups just mentioned. As a result, many workers with above-average earnings could receive nearly as much — or more — from individual accounts into which they had paid only a few percentage points of their earnings than from Social Security into which they had paid a much larger percentage of their earnings. This would lessen the broad-based support Social Security has long enjoyed and generate strong pressure to shift more payroll contributions from Social Security to individual accounts. Over time, such pressures would likely prove irresistible.

A hybrid system that is part Social Security and part individual accounts consequently may not be politically sustainable over the long run. Nor can this problem be solved simply by having the Social Security Administration administer the individual accounts and provide beneficiaries a single monthly check combining income from Social Security with income from a retiree's individual account. Workers would receive periodic statements on their Social Security contributions and benefits as well as on their individual accounts, and many would compare the statements and conclude Social Security was a bad deal. Conservative Members of Congress, commentators, and think tanks would endlessly broadcast the message that individual accounts had proved to be a much-better deal and should replace a larger portion — or all — of Social Security, which they would portray as providing abysmally low rates of return to middle-class workers. A hybrid system thus risks leading over time to the unraveling of the social compact that Social Security provides.

Under this approach, Social Security would retain the majority of its reserves in Treasury securities. It thus would be able to ride out market downturns without having

to sell off substantial holdings when stock prices are low. Under individual accounts, by contrast, individuals who retire during a bear market or are unlucky in their investments could be faced with reduced incomes for the rest of their lives.

Private pension funds and state employee pension funds virtually all diversify their investments and take advantage of the higher long-term rates of return that equities markets provide. Social Security should not be prohibited from following a similar course.

The principal arguments advanced against this approach are that there could be political interference with trust fund investment decisions and that the government would own too much of corporations. These concerns can be addressed, as Reischauer and Aaron have shown. Management of Social Security reserves could be placed in the hands of a Social Security Reserve Board modeled on the Federal Reserve Board; the Fed has successfully maintained its political independence for eight decades. Fed governors serve staggered 14-year terms and cannot be removed for political reasons; the same would be true here. In addition, the Social Security Reserve Board — like the Fed — would be financially independent of Congress and the White House, getting its revenue from small charges on the earnings of its investments. As noted, the investments would be limited to broad, passively managed index funds, and the legislation establishing the SSRB could deny it voting rights on shares the SSRB holds. Finally, a low percentage limit could be set on the proportion of the shares of any corporate entity the SSRB could hold. These safeguards would both protect the SSRB from political interference by Congress and the White House and ensure that the SSRB did not influence decisions of individual corporations.

There is, of course, the question of the political appeal of this approach — how would the public respond to it? The public would have to be persuaded. But if the President, other Administration officials, and Democratic Congressional leaders explained that this approach would substantially reduce the magnitude of the Social Security benefit reductions otherwise needed, would protect individuals from undue risk, would be managed by a distinguished entity governed by financial leaders and enjoying the independence and authority of the Fed, and would simply diversify Social Security assets in the same way that virtually all other private and public pension funds do to gain better value for American workers, the Administration should be able to rally public support for this approach as part of a larger package to save Social Security.

Political Considerations

Proposals to replace part of Social Security with individual accounts pose some political dangers for the White House. Until rather recently, groups representing core Democratic constituencies have focused largely on issues other than Social Security, but that is changing rapidly. The AFL-CIO increasingly is turning its attention to Social Security; it

strongly opposes any replacement of Social Security with individual accounts. The principal civil rights, minority, elderly, and women's groups also are increasingly focusing on Social Security. A strong statement sharply criticizing proposals to replace any part of Social Security with individual accounts is scheduled for release on December 3; its growing list of signatories includes: John Sweeney and an array of union presidents; the heads of the NAACP (Kweisi Mfume and Julian Bond), the Urban League (Hugh Price), and the National Council of La Raza (Raul Yzaguirre); Jesse Jackson; Marian Wright Edelman; Rev. Joan Brown Campbell, the head of the National Council of Churches; Catholic Charities' deputy director Sharon Daly; the heads of major women's, disability, and other elderly organizations; and numerous others.

A growing array of such groups is gearing up to make Social Security one of their highest priority issues in 1999. They differ on some Social Security matters. What unites them is opposition to shifting a portion of Social Security to individual accounts. This opposition is sufficiently strong that the key groups involved are willing to accept some benefit reductions as part of a package that restores long-term balance without replacing part of Social Security with individual accounts.

How Might the Administration Proceed?

The Administration will face tough negotiations with Republican leaders on Social Security. Wherever the Administration starts, the Republicans will insist on pulling it to the right. A final agreement is virtually certain to be somewhere to the right of where the White House starts. The White House should not start out where it hopes to end up.

A useful place to *end up* could be to restore long-term solvency to Social Security through a combination of modest benefit adjustments, bringing uncovered state and local employees into the Social Security system, gradually raising by a modest amount (and over a number of years) the upper limit on the amount of wages subject to the payroll tax (but not raising the payroll tax rate), investing a portion of trust fund reserves in financial markets with appropriate safeguards, and possibly establishing individual accounts *on top* of Social Security (possibly through some surplus financing of individual accounts on a flat-dollar basis for all workers or through the establishment of such accounts on a voluntary basis with favorable tax treatment of the amounts invested in the accounts; such an approach would *not* transfer revenue from the trust funds to individual accounts or reduce Social Security benefits when income is received from individual accounts). If the Administration wanted to end up in such a place, it would need to start out without individual accounts on top and move to that position in the negotiations.

In such negotiations, it is important that the Administration negotiate from strength. To this end, the White House needs in early 1999 not only to advance its position on Social Security persuasively but also to explain to the public the dangers posed by certain other approaches, including some approaches Republican leaders may favor. The public will

place much more trust in the President to look out for its interests on Social Security than in Trent Lott, Bob Livingston, Bill Archer, or Bill Roth. If the President speaks to the nation not only about the advantages of his proposals but also about the risks of certain other types of approaches — in other words, about both what he is for and what he is against and why — he will do well with public opinion and place the White House in a strong position to negotiate an agreement that is substantively and politically sound.

This opportunity could be missed, however, and the White House could find itself negotiating more from weakness than strength. Some recent White House contacts with some Republican Congressional leaders on Social Security reportedly have led some Republicans and their allies to conclude the President is so eager for a deal on Social Security that they may be able to cut a deal substantially on their terms.

Furthermore, conservative proponents of partial privatization have been taking their case to the public for months. They have been feeding fears that Social Security is in more dire shape than is the case, that the program is on the verge of collapse, and that retirement security can be provided only by beginning to replace Social Security with private accounts. The President and the White House will need to take their case to the public and explain in a respectful way the jeopardy in which some approaches could place millions of hard-working Americans. If the President makes that case this winter, he will be in a strong position to negotiate from strength and reach a good deal by summer or early fall. If the President does *not* expose the weaknesses in these other approaches, however, he will be negotiating with a weaker hand, which will make it harder to reach an agreement that does not ultimately place millions of Americans at risk and rip the Democratic Party down the middle.

This suggestion may elicit a rejoinder that such an effort by the President would anger Republicans and make it harder to secure an agreement. A deal is not needed, however, in March or April. A deal in the summer or fall should be fine. Taking this issue to the public this winter to help frame the debate on the White House's terms — and then largely curtailing public criticism of other approaches as negotiations begin — should pay dividends in terms of the negotiations' ultimate outcome. Furthermore, because such an approach would expose political vulnerabilities in some Republican positions (and subtly remind Republicans of the dangers they face in resisting the President on issues like Social Security or Medicare), it should make Republicans more eager to close a deal in 1999 so they are not politically exposed on this issue in 2000.

The Tax-cut Issue and a Social Security Deal

The point is sometimes made in some Administration circles that a Social Security deal is needed quickly because without a deal by summer, the "save Social Security first" argument may not continue to hold and a very large tax cut may not be able to be stopped. Fear of a tax cut, however, should not lead the Administration to consummate a Social Security deal before a sound agreement can be secured. Furthermore, if a Social Security

deal ultimately cannot be consummated in 1999, Republicans are *not* likely to seek to pass a large, multi-hundred-billion dollar tax cut.

- Republicans will have to worry that if they push a big tax cut before Social Security is resolved, they will be seen as taking large sums from the Social Security reserve. This was somewhat of an issue in the 1998 election; if Republicans push a big tax cut without a Social Security settlement, it is likely to be more of an issue in 2000 because the public will have a heightened awareness of Social Security issues — and of Social Security's long-term financing gap — following extensive media coverage of Social Security issues in 1999. If Social Security negotiations have stalled and Democrats on Capitol Hill are arguing that Republican plans would place retirees, the disabled, women, and survivors at too-great risk, Republicans are unlikely to risk bolstering these Democratic arguments by enabling Democrats to point to an attempted large-scale Republican raid on the trust fund.
- In addition, Republicans who support converting part of Social Security to private accounts are starting to understand, as Phil Gramm has recognized for some time, that they will need most of the surplus to help cover the very large transition costs that partial privatization proposals entail — and that big tax cuts consequently would undermine their partial privatization proposals by consuming too much of the surplus.

There are signs that conservative Republicans are beginning to grasp these realities. This is reflected in the announcement on November 18 by the Members of Congress who make up the Conservative Action Team, the hard-line drivers this year for big tax cuts in the House, that they are abandoning their call for a large tax cut in 1999 financed by the surplus and will instead seek a smaller tax cut financed with spending-cut offsets. The CATS announced that their new position is that the Social Security reserve should be used solely for Social Security purposes.

To be sure, in the absence of a Social Security deal by summer or fall, a more modest tax cut — perhaps of the size of the \$80 billion tax cut over five years the House passed in September — could begin to move. That would be unfortunate. But such a tax cut is small potatoes compared to the massive policy changes that a Social Security deal, and especially the partial replacement of Social Security with individual accounts, would entail. It would not be wise to reach prematurely a questionable Social Security deal that could create significant policy problems for the next 75 or 100 years — and alter the nation's most important social program in undesirable ways — to avoid a tax cut whose adverse effects are of much lesser consequence.



CENTER ON BUDGET AND POLICY PRIORITIES

To: Melanne Verveer
From: Bob and Ellen
Subject: Social Security reform and the impact on women

Date: October 21, 1998

Ellen was recently asked by someone at the White House if we had reviewed some of the materials available on the impact of Social Security reform proposals on women, and if we could pull together a few of the most useful pieces. We thought these materials might be helpful to you as well. Perhaps after the election we might have a chance to chat with you about Social Security and related issues for next year.

We've included the following:

- An excellent three-page piece on how Social Security privatization would affect women by Alicia Munnell, a leading Social Security expert.
- A fact sheet on Social Security and women prepared by the Democratic staff of the House Ways and Means Committee. (Both the Democratic staff director of the full Ways and Means Committee and the Democratic staff director of the Social Security Subcommittee of Ways and Means are women.) The fact sheet is based in part on a fact sheet from the Institute for Women's Policy Research.
- A column on Social Security and women by syndicated columnist Jane Bryant Quinn, and two articles by Social Security expert Edith Fierst, who was a member of the 1994-96 Social Security Advisory Council and is a leading expert on Social Security and women.
- Finally, in the event that you would like more comprehensive background, we are enclosing a 17-page issue brief entitled "Social Security Reform: How Might Women Fare?," prepared by the Public Policy Institute at AARP. This is the single best comprehensive background piece now available on these issues and is largely written as a straight policy analysis, not as an advocacy document.

While these pieces cover a number of issues, one feature of these pieces stands out — *consistent warnings that privatization plans that would shift a portion of payroll tax*

revenues from the Social Security trust funds to individual accounts would hold particular dangers for women, especially divorced women and widows. The Social Security benefit structure contains a number of unique features highly beneficial to women that individual accounts are unlikely to contain. For example:

- Social Security redistributes benefits toward workers who had below-average earnings over their lives. This is beneficial to women both because they have lower average wages than men and because they spend more years out of the full-time labor force. Private accounts contain no such redistribution.
- Social Security provides benefits that last as long as you live and that are fully adjusted for inflation. This is of greatest value to those with the longest life expectancies. Since women have longer life expectancies than men, these features of Social Security are particularly valuable to them.

By contrast, funds in individual accounts can run out before an aged person dies if the person lives to a very old age, unless the funds in the account have been used to purchase a private annuity. But private annuities are expensive. Moreover, for a private account of a given size, firms provide *lower* monthly annuity payments to women than to men because women are likely to live longer. This is not true of Social Security.

In addition, when private firms sell joint annuities to a husband and wife, these annuities provide a *lower* monthly payment than a single annuity does, because joint annuities must pay benefits for a longer number of years (i.e., until both spouses die).

Finally, most private annuities do not adjust monthly benefits for inflation, so the purchasing power of the monthly payments declines with each passing year. All of these problems primarily affect women.

- Women both earn less than men and tend to invest more conservatively. As a result, they would end up, on average, with significantly smaller private accounts.
- Proposals to shift a portion of the payroll tax to private accounts necessarily entail deeper cuts in Social Security benefits; under such proposals, Social Security benefits must be reduced enough to eliminate the current Social Security shortfall and then reduced further to make up for the loss of the payroll tax revenues being shifted from Social Security

to private accounts. For example, proposals to shift two percentage points of the payroll tax to private accounts *double* the financial shortfall in Social Security and greatly enlarge the benefit reductions needed to close the shortfall. Most current proposals of this nature include substantial reductions in spouse benefits, survivors' benefits (which mainly go to widows), and disability benefits as part of their effort to reduce Social Security benefits enough to put Social Security in balance while shifting funds to private accounts at the same time.

- By their nature, private accounts cannot provide the protection to spouses, divorcees, and widows that Social Security does. The funds that a private account can provide to a retiree, his current spouse, and possibly to a former spouse are strictly limited to the money in that account. If money from the account goes to an ex-spouse, less is left for the retiree and his current spouse. It is a zero-sum game.

This is not true of Social Security. Based on a single retiree's earnings record, Social Security benefits can be paid to the retiree, his current spouse, and all divorced spouses who were married to him at least 10 years and are not currently married. The level of benefits paid to the retiree, his current spouse, and one or more divorced spouses are set by law — these benefit levels do *not* affect each other. Payment of a benefit to one beneficiary does not lower the payments to other beneficiaries.

It is very likely that replacing a portion of Social Security benefits with private accounts will result in significant reductions in income for elderly women who are divorced. Such women would probably be able to gain access to funds in their ex-spouse's individual account only by going to divorce court. Moreover, the court would be limited in what it could provide a divorced woman from her ex-husband's account by the need to leave adequate funds in the account for the husband and his current spouse.

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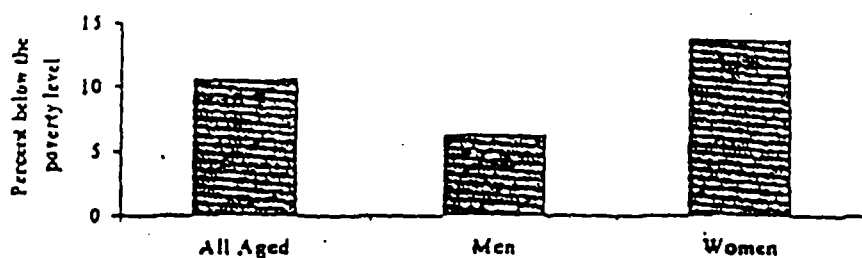
Why Social Security Privatization Would Hurt Women

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Proposals to replace some or all of the existing Social Security program with a new system of personal retirement accounts would undermine the financial security of older women. Poverty among women over 65 is already twice as severe as among men over 65 (Chart 1). The current Social Security program recognizes this problem, and its benefit structure compensates for two important characteristics of women: They are likely to have earned less than men, and they are likely to live longer. Privatization proposals currently being considered make no provision for these differences, and thus would make the poverty problem for women even worse.

Chart 1. Poverty Status of Persons 65 Years and Older by Sex, 1995



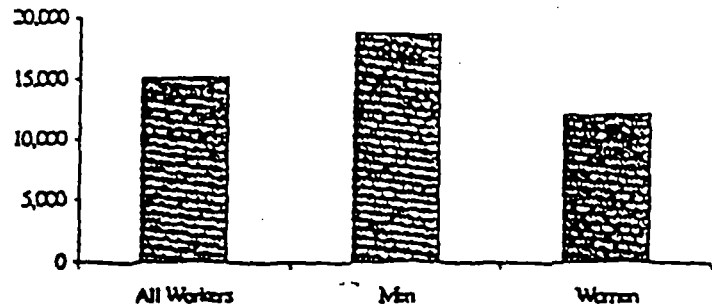
Source: U.S. House of Representatives, Committee on Ways and Means, 1998 Green Book, May 19, 1998, Table A-6

Although the percentage of working-age women who hold jobs is much higher now than when Social Security was new (60 percent today versus 28 percent in 1940), their careers continue to be

different. Women tend to spend fewer years in the workforce than men, since they interrupt their careers to care for young children or elderly parents. For the same reasons, women are also more likely to work at part-time rather than full-time jobs. And even when they work full time, women are likely to be paid less than men. As a result, median earnings for women are far below those for men (Chart 2).

A system relying even in part on personal savings accounts would perpetuate these differences into retirement. Unless special provisions were enacted, a woman's overall retirement benefit would depend on her contributions into her personal account and the earnings on those contributions. Because of lower earnings and less time in the labor force, these contributions and earnings would, on average, produce very low retirement benefits.

Chart 2. Median Earnings of Workers Covered by Social Security, 1994



Source: From the Social Security Administration website, online version of Social Security Bulletin, *Annual Statistical Supplement, 1997*, Table 4.B6, sec: <http://www.ssa.gov/statistics/supp97/pdf/t4b6.pdf> (as of September 8, 1998).

Although Social Security's benefit rules are gender-neutral, they are particularly helpful for women. First, the progressive benefit formula provides proportionately higher benefits for low earners than for high earners. Second, for the woman who spends her career taking care of her family, Social Security provides a retirement benefit equal to 50 percent of her spouse's benefit. Third, for the homemaker who becomes divorced after at least 10 years of marriage, Social Security provides a retirement benefit based on her former spouse's benefits. Fourth, for the older woman whose husband dies, Social Security provides widow's benefits equal to 100 percent of her husband's benefits. Fifth, if a younger widow's children are getting survivors' benefits, she also receives benefits while she is caring for them and not working.

Even with more women in the labor force, these family benefits remain important. In 1996 the majority (63 percent) of woman beneficiaries aged 62 and older were receiving wives' or widows' benefits; 37 percent had no earnings history and were entitled only as a wife or widow; and 26 percent had a higher benefit as a wife or widow than as an earner.

In addition to providing benefits to compensate for lower lifetime earnings, Social Security has two features that compensate for the fact that women live longer than men. Life expectancy at

age 65 is currently 19.2 years for women compared to 15.6 years for men (Table 1). Because Social Security pays benefits for life, it supports women who outlive their spouses. And because benefits are adjusted annually for changes in the cost of living, their buying power is protected against being eroded by inflation — a protection that increases in importance with every passing year. Without such protection, even a modest 3 percent inflation rate cuts the purchasing power of a \$100 benefit to \$74 after 10 years and to \$55 after 20 years.

**Table 1. Life Expectancy at Age 65, for
Individuals Reaching 65 in Selected Years,
1997-2025**

Life Expectancy (in Years)		
Year	Male	Female
1997	15.6	19.2
2005	16.0	19.5
2015	16.4	19.8
2025	16.8	20.2

Source: 1998 Green Book, Table 1-53

With personal retirement accounts, on the other hand, benefits are not automatically converted to a lifetime annuity or protected against being diminished by inflation. If individuals receive their money in a lump sum, they risk exhausting their assets before they die — a risk that is compounded by the absence of inflation protection. In theory, annuity and inflation

protection could be purchased separately, but private annuities are very expensive to purchase and inflation-adjusted annuities are nonexistent in the United States.

In short, the present Social Security system offers a range of protections — progressive benefits formula, dependents' benefits, lifetime benefits, and inflation adjustments — that are of great importance to women and are not duplicated by any of the proposals to privatize the system. These are established rights, promised by law. Women should be very reluctant to give them up for an untried system that relies on individual investments for even part of their basic retirement income.

SOCIAL SECURITY REFORM AND WOMEN FACT SHEET

Social Security is very important for women.

Sixty percent of Social Security beneficiaries are women and Social Security is often the only source of retirement income for a majority of these women. Women are heavily reliant on Social Security benefits because of wage and employment discrimination and different patterns of labor force participation. These patterns are not expected to change in the future.

- *Most women do not receive private pensions.* Only 38 percent of women receive employer-provided pension benefits compared to 57 percent of men. This is especially problematic for minority women who are less likely to have employer-provided pension plans than either white men, white women, or nonwhite.
- *Women earn less than men.* Women who work full-time earn less than men who are employed full-time. The average woman college graduate earns little more than the average male high school graduate. Women earn 74 cents for every dollar men earn.
- *Women are more likely to work part-time.* Seventy four percent of men between the ages of 25-44 were employed full-time for all of 1996 compared to 49 percent of women in the same age group.
- *Women are more likely to spend time out of the labor force.* Twenty one percent of women, between the ages of 25-44, were unemployed in 1996 compared to only 7 percent of men. Many of these women are mothers of young children.
- *Women are more likely to live alone in their retirement years.* Retired men, who are more likely to be married, have better financial security upon retirement because they receive two Social Security benefits: one for themselves and one for their wives. Elderly women living alone receive only one benefit.

Plans to privatize Social Security could have an adverse impact on women.

Proposals which reduce Social Security's guaranteed benefits to make way for individual accounts could disproportionately hurt women--making women more vulnerable to the risk of private investments and poverty if expected returns are not realized

- *Private accounts could disadvantage women because they earn less than men.* Because private accounts are based solely on deposits into the accounts (which are strictly proportional to workers' earnings) and on the investment performance of the accounts, women would earn less (even if the market were stable) than their

male counterparts from private accounts.

- *Private accounts could adversely impact women because they are more likely to work part-time and spend time out of the labor force.* Private accounts require that individuals work full time for forty years or more in order to receive the expected total value of their accumulated retirement fund. Privatization proposals, therefore, would punish women for taking time off to care for their children and family members.
- *Privatization proposals significantly reduce spousal benefits.* Because women take more time out of the workforce and earn less than men, married women are more reliant on the higher spousal benefits earned by their husbands. Privatization plans propose to cut spousal benefits by one-third, leaving women with a benefit near poverty-level.
- *Private accounts could penalize women for making different investment decisions than men.* Economists have found that women are "risk averse" or less likely to make risky investments. By investing less in riskier assets, women and low wage workers also benefit less from the *potential* rates of return that stocks could generate. Privatization proposals would punish women for making prudent financial decisions!
- *Private accounts could give women smaller retirement checks even if they have the same work history as men.* Annuity companies would adjust women's retirement benefits downward since women live longer than men.

The Social Security benefits that women receive are *guaranteed for life*.

Unlike private individual accounts, Social Security benefits are safe, reliable, and guaranteed for life.

- *Social Security benefits protect against inflation.* The cost-of-living increases built into Social Security provide an important anti-poverty protection for women. Private investments do not protect against inflation or devalued investments.
- *Social Security lasts as long as you live.* Women live an average of 7 years longer than men. Whereas Social Security provides monthly benefits for as long as a retired person lives, private accounts place women in danger of outliving their accumulated funds.

JANE BRYANT QUINN

Women, Be Wary of Social Security Change

In his State of the Union address, President Clinton said he would use any budget surplus first to save the Social Security system.

But women, in particular, need to take a hard look at any "reforms" Congress proposes.

On average, women gain relatively more than men from Social Security today. That's because it favors lower earners and dependents, most of whom are women and children. Some of the reforms would erase this advantage.

Workers like to calculate how much more their money might earn if invested in stocks rather than paid in Social Security taxes. But they often forget that their taxes buy other benefits, too.

For example, when workers die, their spouses and young children are eligible for monthly benefits—so Social Security provides life insurance.

Retirees who had low or spotty earnings during their working years (usually women), and don't get much personally out of Social Security, can collect a higher benefit through their spouse's account. So there's retirement-income insurance, too.

The program includes divorce insurance. The divorced can collect on an ex-spouse's account if the marriage lasted at least 10 years. So a divorced, single woman isn't abandoned financially in old age.

These payments to a former spouse don't take one penny away from the worker or current spouse. Everyone has a safety net.

It even includes inflation insurance. Your check rises annually with the inflation rate.

These would be costly insurance plans if workers had to buy them from private insurers. Without them, dependents and ex-dependents would be at risk.

Many of the reform proposals would cast off or slash the social insurance plans and use part or all of the Social Security tax for some form of mandatory 401(k).

Money would be diverted from your paycheck into a personal account. You could decide where to invest it. Your standard of living in retirement would depend on how large this nest egg grew.

How would life differ for women under these privatization proposals? Each plan is a little different. But the government's General Accounting Office has provided some broad answers in a study requested by Rep. Barbara B. Kennelly (D-Conn.). Said the GAO:

■ **Benefit payments:** Women on average earn less than men, so less money would go into their investment accounts. Social Security helps low earners by raising their benefits a bit. That wouldn't happen in private accounts. Those accounts might yield more for your money than Social Security does, but the gap between men's and women's retirement income would grow.

■ **Investment returns:** Women tend to be more conservative investors than men. If stocks did poorly for a long period of time, their conservatism would pay. But if stocks did well, their cautious investing would leave them even further behind men's retirement incomes.

■ **Longevity:** Women with the same earnings and investments as men could wind up with lower monthly incomes because they tend to live longer. They would have to draw less from their accounts to be sure the money lasted a lifetime.

In the Social Security program, people who had equal incomes get equal monthly benefits for life.

You also could get equal payments from a private plan.

The government might decree that, if you bought a lifetime annuity, you would be charged a unisex rate obtained by averaging male and female life spans.

But men wouldn't like that. Their incomes would be lower than if they paid the "male" rate.

■ **Divorce:** None of the plans provide monthly payments to an ex-spouse. My crystal ball sees more impoverished divorcees.

Some reformers would split the investment account at divorce. That helps the unemployed spouse at the worker's expense but has no guarantee that spouse will get the same income that Social Security now pays.

■ **Spouse protection:** When a worker dies today, a spouse can get 100 percent of the worker's monthly Social Security benefit for life.

With private savings, the retired worker can take money as needed, in a lump sum or as a lifetime annuity. So spouses get no income guarantees.

A private investment account might give a spouse more than Social Security pays. It also might give less. That depends on life's tragedies, how the money is invested and how the stock market behaves.

We all need private savings. But dependents, in particular, also need a Social Security guarantee.

ALICE COULD STILL LIVE HERE — WITH SOCIAL SECURITY

By Edith U. Fierst

Recently I watched an old movie, "Alice Doesn't Live Here Any More," a very popular film when it came out in 1974. Readers may remember it as the story of a 35-year old woman whose husband was killed in an accident, leaving her without income. She sold her home and its contents and with her son, Tommy (then perhaps 11 years old), began to travel drearily around the country seeking work. What she found were low-paying and, in some cases, seedy jobs. Eventually she was saved by a new man, played by Kris Kristofferson.

When the movie first came out, it was seen as raising important feminist issues. Was it true that a young woman, unexpectedly widowed, couldn't make it without a man to support her, as the movie suggested? What should women do to avoid a catastrophe like hers?

What I don't remember is any discussion about the Social Security that would have supported Alice if only she had applied. Why didn't she? Obviously it would have spoiled the plot, but its benefits would have made life much better for her and her son, at least until Kris Kristofferson came along. Tommy would have been eligible for monthly payments until he reached 18, or if he was still in school, until he was 20. If he was disabled, he would have been entitled to benefits for life. In addition, Alice would have been eligible to receive benefits for herself as a widowed parent until Tommy reached age 16 or, if he was disabled, until he recovered from his disability.

If Alice's husband had been an average earner, Alice and Tommy were respectively 35 and 11, and this was taking place in 1998, their combined monthly Social Security benefits would be \$1,454. (If Alice earned more than \$9,120 this year, her benefit would be reduced by half of her earnings above that amount. If she earned more than about \$15,000, her benefit would be eliminated, but her son would still get \$727 a month.)

When Tommy reached his 16th birthday in 2003, Alice would have to become self-supporting until she reached age 60. But she would then be eligible for a widow's benefit of \$1,908 a month.

If Alice were disabled herself, she would be eligible for widow's benefits at age 50 rather than 60. Moreover, Alice could increase her benefits in old age by waiting until normal retirement age — now 65 — before starting to collect her widow's benefit (or by earning enough to qualify for a benefit larger than her widow's benefit).

These Social Security benefits would have enabled Alice to stay in her home rather than sell it and to keep Tommy in his familiar school and neighborhood instead of, as in the movie, leaving him alone in lonely motel rooms while she hunted for jobs and worked. When she was ready to enter the workforce, Social Security would have supported her and Tommy while she trained or looked for work.

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WOMEN AND A PRIVATIZED RETIREMENT

By Edith U. Fierst

When I was in my teens, a scandal in our small suburban town shocked the community. A husband of 20 years, father of four children, one of whom was my friend, a man deemed a pillar of society, walked out on his wife to marry another woman. Today a departure like his has become more commonplace, but when I was in high school, it didn't happen. Everyone, including the teenagers talked about it. But one subject we never considered was what the wife would live on as she approached old age in the years to come. She was short and fat, well into her fifties, unlikely to marry again, and a consummate housewife, unequipped to earn a living. Would the husband pay her adequate alimony? Suppose he died and the alimony expired, what would she then do?

Today many people, especially young women planning their lives, ask that question. One important answer is Social Security. Sometimes it is the only answer. Under current law, Social Security pays:

- *A spouse benefit* to a married woman or one divorced after 10 or more years of marriage. This benefit equals the difference between the Social Security benefit she earned herself and an amount equal to *half* of her husband's benefit if it is larger. The spouse benefit is payable while the husband lives.
- *A survivor benefit* to a widow or widower, including one who was divorced after 10 years of marriage. This benefit is the difference between the benefit she earned herself and the *full* amount of the worker's benefit, if it is larger.

Both spouse and survivor benefits are paid from the Social Security trust fund to those eligible. These benefits are guaranteed by law. Such benefits now provide a basic minimum income for millions of elderly women, enabling them to live with self-respect independent of their children. These benefits also provide invaluable peace of mind to younger women who know they can count on these benefits. To the extent Social Security were to be privatized, the financial independence and peace of mind that spouse and survivor benefits now provide to these women could greatly diminish.

Under privatization, payroll taxes would be directed into private individual accounts instead of into the trust fund. Control of the private accounts would vest in the worker who paid the tax. Any payment to the wife would come from payments that would otherwise go the worker, giving him an incentive to resist or limit sharing with her.

This would change the psychology of the financial relationship of the couple. Today no one objects to Social Security payments to a spouse, even if estranged or divorced, since the benefits are paid by the trust fund and *there is no reduction of benefits*

to the retiree himself. Any woman who has been married 10 years or more is entitled to a spouse or survivor benefit based on marriage. Indeed, the earnings record of a much-married man could be the basis for benefits to several former spouses to whom he was married for 10 or more years, as well as to a current wife to whom he need not have been married that long. (Note: A woman may not collect benefits based on more than one marriage. Her spouse and survivor benefits are based on the earnings of the husband with the highest earnings, except that spouse benefits must be based on the earnings of her current husband if she married him before reaching age 60.)

To the extent benefits were privatized, payments to a spouse could depend on the willingness of the worker to share the funds in his personal account, as well as on the success of his investments. Since any benefits a current or former spouse received would come from his account, a retired worker would have an incentive to resist or limit such sharing. To be sure, under some partial privatization proposals, account owners would be required to purchase survivor annuities for their spouses unless the spouses waive their right to such benefits. Except for such limited requirements, however, privatized benefits would generally be under the unrestricted control of the retired worker, who would have complete freedom over how to spend them.

Payments to a spouse from the privatized portion of Social Security would compete with other uses the owner of the account might find necessary or appropriate. For example, the owner of a privatized account with good intentions might be forced to spend his savings on nursing home care for himself or his spouse. Similarly, the account-holder might buy a small business which later failed, leaving both husband and wife without adequate retirement funds. Or, as in the case of the family I knew in high school, the man might leave for another woman after many years in which his wife thought their marriage was happy, taking his money with him.

What could she do to assure he would help support her in old age, especially if she outlives him? One possibility is to seek assistance from the divorce courts, on the likely assumption that they would divide privatized funds as they now do other marital assets. To assure success, she might conclude she had to act before her husband retired. While divorce courts can award alimony whether the worker is working or retired, there may not be enough funds left after he retires and begins to spend some of the savings in his privatized account for him to be able purchase an adequate survivor annuity for his spouse. For this reason, privatization could even provide an incentive for some women to consider seeking a divorce. I can imagine a woman faced with a terrible dilemma — whether to risk eventual poverty or to act early to gain access to her husband's account before it is spent. Afterwards, it might be too late; there might be too little left for the court to divide.

Even divorce courts would not give women a benefit based on the lifetime earnings of their husbands. Divorce courts generally have jurisdiction to give the wife a share only of what was earned *during* marriage. By contrast, under current law, a

wife's Social Security benefits are based on her husband's lifetime earnings, including those earned *before or after* their marriage.

Proponents of privatization sometimes argue that with women working more outside the home, the need for spouse and survivor benefits is diminishing and may soon vanish. The facts are otherwise. The Social Security actuaries estimate that among married women retiring in 2015, approximately 40 percent will continue to qualify for at least a partial spouse benefit.

Moreover, since few women earn as much or more over a lifetime as their husbands do, more than 80 percent of widows will continue to qualify for survivor benefits. As noted above, the benefits equal the husband's entire Social Security benefit. These widows will have earned less at their jobs, perhaps because their attention was divided during the years they were raising children, or because they chose to stay home for extended periods to bring up children, care for elderly parents, or serve in their community. All of these are life-style choices that would be at some risk under privatization.

Another major issue is how to be sure benefits will last a lifetime. The only way is for monthly benefits to be paid for life, as Social Security benefits are. By contrast, most privatization plans allow the retiree access to much or all of his savings at retirement. This means that many people may encounter difficulty spreading their retirement incomes over their and their spouse's lifetimes, whatever their intentions. At age 65, men have an average life expectancy of 15.3 years (to over age 80) and women an average of 19.1 years (to over age 84).

Those who want to protect themselves and their spouses against outliving their benefits could purchase private annuities, but private annuities are expensive. Experience has shown that those who buy them tend to live longer than the average for the population as a whole. Insurance companies and other private purveyors of lifetime annuities charge high prices to compensate for the likelihood of longer lives by their customers and to enable them to earn a profit.

Moreover, unless federal regulations preclude differential charges for annuities by sex, companies will charge women more for annuities or give them lower monthly annuity benefits, since on average women live to older ages than men.

Without annuities, what will keep elderly widows from destitution? Perhaps SSI, welfare for the elderly, which currently supplements the income of the elderly poor. But SSI raises the income of elderly individuals only to \$494 a month for those with assets of less than \$2,000 (excluding certain items such as a home, a car and prepaid funeral expenses). This is well below the poverty line.

Social Security not only pays a benefit every month for life but also provides an annual cost-of-living supplement to keep up with inflation. Because of the COLA,

A Way to Improve Life for Elderly Widows

One change that has been proposed could make life more secure for elderly widows, who are the poorest component of the elderly population. More than 20 percent of them, including divorced widows, are below the poverty line. This proposal also would give women who have earned their own benefits a greater return for their taxes.

Under the proposal, survivor benefits would be increased from half to three-quarters of the husband and wife's combined benefits. For example, if husband and wife each had earned a benefit of \$1,000 a month, under current law the survivor benefit would be \$1,000 a month; under this proposal, it would rise to \$1,500. If only one partner had worked, the benefit would remain at \$1,000.

The beneficiaries of this change would be couples in which both had worked, especially if their earnings had been nearly the same. Researchers at the Social Security Administration estimate that the incomes of about one of every six poor widows who came on the rolls in 1990 would be raised above the poverty level by such a change.

The cost of this modification could be paid for mostly by reducing the spouse benefit from one-half to one-third of the husband's benefit. Of the 40 percent of married women who are expected to qualify for spouse benefits in 2015, many earn more than a third of their husbands' benefits and would keep their worker benefits. Those who did not would still get at least one-third of their husband's benefits. Over time, as women earn higher benefits themselves, such a reduction would affect fewer of them.

Further, most couples in which the wife has earned benefits less than one-third of her husband's are relatively affluent. This is what enabled them to work so little outside the home. The poverty rate among married couples, whether they are of working or retirement age, is less than six percent, while that for widows is more than three times as high.

Social Security never loses its purchasing power. Nothing similar is available in the private market.

The present discussion of privatization has arisen because Social Security is expected to have a shortfall in the 75 years ahead. This shortfall can be solved with modifications in Social Security, such as raising the retirement age modestly, bringing state and local employees under mandatory coverage, and taxing benefits in the same manner as other pension payments are taxed. Such changes are what we should be debating, not proposals that would significantly reduce the security of elderly women.

SOCIAL SECURITY REFORM: HOW MIGHT WOMEN FARE?

Highlights

Trends in female labor force participation rates, female earnings as a percent of male earnings, and women's pension coverage all point to improvements in the economic status of women that have taken place in recent decades. In the years ahead, more women will be receiving Social Security and pension benefits based on their own work histories and, in the aggregate, are likely to have higher real incomes in retirement than women who are retired today.

Despite these positive trends, many millions of women will receive low or no private pension benefits and will remain heavily dependent upon Social Security for retirement-income support. Thus, how Social Security treats women, and how women might fare under various proposals to restore long-term solvency to the Social Security system are matters of critical concern to women.

This issue brief examines the potential impact on women of a number of proposed Social Security reforms. Some of the changes would maintain the system's social insurance principles, while others call for a privatized system that would allow workers to invest all or part of their Social Security contributions in the private market.

Privatization, even partial privatization, poses big risks, especially for persons with limited resources. How the market has performed historically, for example, cannot be counted on to apply to specific groups of workers or to the time that a particular cohort retires. The market does not just go up, and declines can be swift, deep, and prolonged. Low-income women would have less to invest and would be less able than higher-income women to weather market downturns.

Women appear to be more conservative investors than men. Under a privatized system, two investors with identical earnings but different investment philosophies could end up with very different retirement benefits. Women, in such instances, could expect the lower accumulations.

Because Social Security is gender neutral, men and women with identical work histories and earnings can expect identical benefits. In the private market, however, sellers of annuities can take into consideration women's longer life expectancy. Thus, the same accumulation may purchase lower monthly benefits for women than for men.

Social Security provides benefits to the spouses and survivors of workers eligible for Social Security. Not all privatization proposals would require account owners to annuitize their accumulations. This could leave married women and survivors with no assurance of any income from their husbands' retirement investments.

Divorced women are entitled to Social Security benefits based on the earnings of their former husbands, if they had been married for at least ten years. Under some proposed changes to Social Security, such women would apparently have to depend on the vagaries of the divorce court for any share of the accumulations in their husbands' privatized accounts.

Other more modest changes to Social Security have also been proposed, and some of them could adversely affect women. For example, because women's average work histories remain much shorter than men's, they would find it hard to meet an increase in the number of years included in the benefit computation formula or a higher normal retirement age.

Introduction

Women's rising labor force participation rates, increasing earnings, and expanded pension coverage (Tables 1 to 4) point to a brighter old age for millions of women, who at one time could count on little in the way of retirement income beyond a Social Security benefit based on the earnings of their husbands. Growing numbers of women in the future will receive Social Security and private pension benefits as a result of their own work histories, and many will be able to supplement those benefits with income from savings and investments.

Table 1
Labor Force Participation Rates of Women, Selected Ages: 1950-1996 (in percent)

Year	16+	24-34	35-44	45-54	55-64
1950	33.9	34.0	39.1	37.9	27.0
1955	35.7	34.9	41.6	43.8	32.5
1960	37.7	36.0	43.4	49.9	37.2
1965	39.3	38.5	46.1	50.9	41.1
1970	43.3	45.0	51.1	54.4	43.0
1975	46.3	54.9	55.8	54.6	40.9
1980	51.5	65.5	65.5	59.9	41.3
1985	54.5	70.9	71.8	64.4	42.0
1990	57.5	73.6	76.5	71.2	45.3
1995	58.9	74.9	77.2	74.4	49.2
1996	59.3	75.2	77.5	75.4	49.6

Source: U.S. Department of Labor 1985, 1986, 1991, 1996, and 1997.

Despite these developments, the retirement income security of millions of women in the near- and longer-term future is by no means guaranteed.¹ Women with

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¹ The same can be said of men, of course. However, as discussed in this paper, older women

lengthy work careers and jobs with high wages and pension coverage may look forward to a financially secure old age, but even they could find themselves at risk of outliving their assets and watching the value of their private pensions dwindle from even moderate inflation or a stay in a nursing home. Moreover, although women's employment prospects have brightened considerably over the past several decades, their labor force attachment and work experiences have yet to measure up to men's, and it is on work patterns more typical of men that much of the country's retirement-income system is based.

Women are still more likely than men to be out of the labor force at any age, to experience discontinuous work histories, and to be employed part time—all of which have implications for their ability to accrue pension credits and save for retirement.

Table 2
Median Earnings of Full-time Working Women: 1970-1996* (in 1996 dollars)

Year	Number with Earnings (in 000s)	Annual Earnings
1970	25,926	\$15,576
1980	34,727	\$17,570
1990	42,940	\$20,284
1996	46,944	\$21,185

*Civilian workers only prior to 1989.

Source: U.S. Census Bureau 1998.

Government efforts to encourage people to assume more responsibility for their own well-being in old age notwithstanding, Social Security will continue to provide much of the

are, and most likely will remain, more vulnerable financially than men. For this reason, and because the number of vulnerable older women far exceeds the number of vulnerable men, this paper focuses on women.

retirement income on which millions of women depend. Hence, how Social Security treats women, and how women might fare under various proposals designed to restore long-term solvency to the Social Security system, are matters of critical concern to women. This issue brief examines the importance of Social Security to women now and into the 21st century, especially with respect to their continued economic vulnerability. It also addresses issues of benefit adequacy and equity for women and assesses how some of the more prominent proposed changes to the Social Security system might affect them.

Table 3
Female Earnings as Percent of Male Earnings: 1970-1996 (median earnings of full-time workers)

Year	Annual	Weekly
1970	59.4	62.3
1980	60.2	64.4
1990	71.6	71.8
1995	71.4	75.4
1996	73.8	75.0

*Year-round workers.

Source: Institute for Women's Policy Research (IWPR) 1997; U.S. Department of Commerce 1998; U.S. Department of Labor 1988.

Income Security in Old Age

Not only do over 90 percent of women aged 65 or older collect Social Security benefits, but Social Security accounts for over half the income of nonmarried women in this age group and 38 percent of the income of married couples. In fact, Social Security actually contributed more to household income for couples and nonmarried women in 1994 than it did in 1976 (Grad and Foster 1979: Table 28; Grad 1996: Tables I.8 and VII.2). Social Security plays almost as important a role in the financial well-being of nonmarried older men. (See Figure 1.)

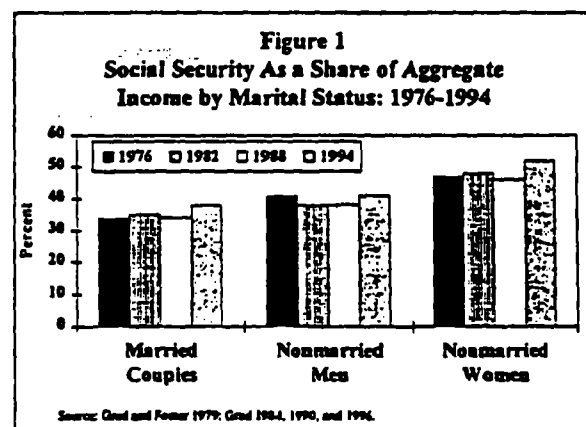
Social Security was designed to help protect people against income loss resulting from events—retirement and disability, in particular—over which they have little or no control. While never intended to serve as the sole source of retirement income, it is just that for approximately 2.7 million nonmarried elderly women and nearly three-fourths of a million aged married couples (Grad 1996: Table VI.B.2).

Table 4
Women's Pension Coverage Rates, Full-time Private Wage and Salary Workers: 1972-1993 (in percent)

Year	Coverage
1972	38
1979	40
1983	42
1988	44
1993	48

Source: U.S. Department of Labor et al. 1994 Table B16.

Fewer than one in five (18 percent) elderly women were receiving income from private pensions or annuities in 1994. A much higher proportion (two-thirds) reported owning assets, but median asset income in 1994 was barely over \$1,300 for all aged recipients; among nonmarried women, the median was less than \$900 (ibid.: Table V.D.1).



Subject to numerous uncertainties under the best of circumstances, Social Security projections are especially problematic in light of recently proposed reform measures. As noted above, in the future, women will have greater access to sources of retirement income in addition to Social Security, as their behavior continues to undergo changes. For example, as Ross (1997) notes, women nearing retirement age—55 to 64 years old—had a labor force participation rate of 41 percent 30 years ago, when they were 25 to 34. Women who are between the ages of 25 and 34 today, in contrast, have a participation rate of 75 percent. For this as well as other reasons, seven in ten baby boomer females in 2030 are expected to have pensions and assets in addition to Social Security, according to simulations by Lewin-VHI (AARP 1994: Table 10). Only about one in 25 female boomers is likely to have income from only one of these sources.²

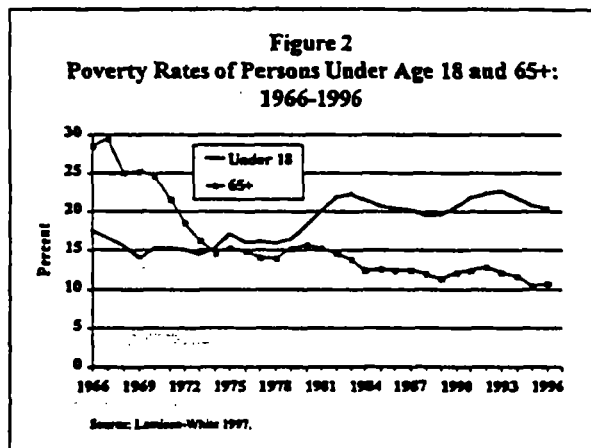
Despite these developments, reliance on Social Security may not lessen as dramatically as women's changing roles might suggest, at least not for several decades. Pension coverage rates have stagnated since the 1970s, and although more future retirees will receive pensions, the amounts could be small. This is because the average benefits to shorter tenured workers "who would not have received pensions previously" may be low (U.S. General Accounting Office 1997: 7).

In addition, efforts to foster personal savings "appear to have had only marginal success" (U.S. General Accounting Office 1997: 7). The temptation to utilize lump-sum pension distributions upon job change may be overwhelming for many workers (see, e.g., Korczyk 1996a and 1996b), leaving future retirees with less retirement income than pension coverage rates might imply. When offered the chance, workers are apparently far

more likely to opt for lump-sum payouts, even at retirement (Salisbury 1997), when a lifetime annuity might be more appropriate. At least one set of simulations warns that Social Security's contribution to aggregate income could change only modestly, especially for nonmarried women through 2030 (Zedlewski, et al. 1989), a conclusion echoed by Lewin-VHI for widowed females (AARP 1994).³

Vulnerability in Old Age

Social Security has been a major contributor to the marked decline in poverty among elderly persons in recent decades. In 1966, nearly 29 percent of persons aged 65 and older had incomes below the official poverty level, but by 1996, that figure had fallen to just 10.8 percent, partly the result of substantial Social Security benefit increases in the 1970s and automatic cost-of-living increases as of 1975. The overall poverty rate for the older population is now below that for the population under the age of 18 (Lamison-White 1997; see Figure 2).



The loss of Social Security benefits would not put every older person in the poorhouse, but millions would find themselves strapped

² In 1994, only 5 percent of aged married couples and 1 percent of nonmarried women received three or more retirement benefits (Grad 1996: Table I.6).

³ Zedlewski et al., for example, estimate that Social Security will account for 68 percent of the aggregate income of nonmarried women in 2030, while Lewin-VHI projects that it will account for almost 49 percent of the income of widows.

or financially at risk without them. Unpublished calculations by AARP's Public Policy Institute indicate that the 1995 poverty rate for persons 65 and older would have risen from 10.5 percent to 47.8 percent if their Social Security benefits had been eliminated. Without Social Security, the poverty rate of older women—who predominate among the aged poor—would have been 52.9 percent in 1995, rather than 13.6 percent.

Aggregate poverty rates obscure significant differences by subgroups that make it clear that, as Choudhury and Leonesio (1997: 1) put it, "the gains that have accrued to the aged in aggregate have not been equally shared by men and women." So, for example, older women have a higher poverty rate than older men; nonmarried women are far worse off than married women; minority women have much higher rates of poverty than white women (see Table 5); very old women (85-plus) are at greater risk of being poor than women in their 60s.

Women's Eligibility for Social Security⁴

Women can receive Social Security benefits in old age in one of essentially three ways⁵—based on their own work histories and earnings records, based on the work histories and earnings records of their husbands, or based on a combination of the two. Women with the requisite Social Security coverage (a minimum of 40 quarters for workers reaching retirement age today) are entitled to a full retired worker benefit at the age of 65.

⁴ For ease of reading and because it is concerned primarily with women, this issue brief will generally refer only to women even when the observations apply to men as well. Social Security, it should be stressed, is gender neutral.

⁵ Under certain circumstances, workers may also qualify for benefits at younger ages, e.g., if they become disabled. A very few Social Security beneficiaries are receiving special age-72 benefits or benefits as parents; however, these beneficiaries are not treated in this issue brief.

Actuarially reduced benefits are available to qualified workers as early as age 62.

If, upon reaching retirement age, a woman is married or had been married for at least ten years before becoming divorced, she may be entitled to spousal benefits that at their maximum are equal to half of her husband's or ex-husband's retired worker benefit.⁶

Women receiving spousal benefits may have worked during their marriages, but not enough to qualify for benefits of their own that exceed their spousal benefits. Women lacking 40 quarters of coverage are entitled only to spousal benefits.⁷

Table 5
Poverty Rates of Selected Groups: 1996
(in percent)

Persons 65 and older	10.8
Persons under age 18	20.5
Women 65 and older	13.6
Men 65 and older	6.8
White women 65 and older	12.1
Black women 65 and older	29.8
Hispanic women 65 and older	27.7
Married women 65 and older	5.2
Nonmarried women 65 and older*	19.5

*Includes separated women.

Source: Lamison-White 1997, Table 1; unpublished AARP-Public Policy Institute tabulations of March 1997 Current Population Survey.

More likely today, married women will have worked enough to qualify for retired

⁶ Early (pre-65) collection of benefits results in an actuarial reduction. The full 50-percent spousal benefit is received only when both spouses are 65 or older at the time of receipt.

⁷ Spousal benefits are sometimes referred to as dependents' benefits, a term that has come to have a pejorative connotation as the concept of marriage as an economic partnership has achieved greater currency.

worker benefits of their own but, upon reaching retirement age, find that their own benefits amount to less than half of their spouses'. Technically, these women—who are “dually entitled”—receive their own retired worker benefits plus an auxiliary benefit that tops their worker benefits up to what they are otherwise entitled to as spouses. In other words, they do, in fact, collect benefits based on their earnings, but this technicality is lost on many married women, who are only too aware that when it comes to old age and survivors' benefits, they are no better off than if they had never worked for pay.⁸ In practical terms, dually entitled beneficiaries get the higher of two benefit amounts; they cannot collect both full benefits.

When spousal benefits were introduced in 1939, relatively few married women worked outside the home, although even then it was assumed that “most wives, in the long run, [would] build up wage credits on their own employment” (Chater cited in U.S. General Accounting Office 1996: 64), as indeed they have. Today, the majority of adult women under the age of 65 are employed outside the home, regardless of marital status or the presence of children. Even the mothers of young children are likely to be employed. As of 1996, nearly 58 percent of married women with a child under the age of three were in the labor force, over 2.5 times the figure 30 years earlier (Ferber 1993 and U.S. Department of Labor 1998).

The figures in Table 6 highlight how women's changing roles have been reflected in their Social Security benefits, as a growing proportion now collects worker benefits. Over 62 percent of women qualified for worker benefits in 1995, up from 43 percent in 1960. That women are increasingly working

long enough to qualify for retired worker benefits of their own is a big plus in the event of divorce.

Table 6
Women Social Security Beneficiaries Aged 62 or Older, by Type of Entitlement: 1960-1995 (in percent)

Entitlement	1960	1980	1995
Worker	43.3	56.9	62.1
Worker only	38.7	41.0	36.2
Dually entitled	4.6	15.9	25.9
Wife/widow only	56.7	43.1	37.9

Source: Social Security Administration 1996: Table 5A.14.

Women today, it is clear, are far less likely to be “dependent” on a spouse, at least as far as Social Security is concerned. This is evident in the decline in wife/widow-only recipients from almost 57 percent in 1960 to just under 38 percent in 1995.

Despite women's growing labor force attachment, “there are still,” as Ferber (1993: 43) states, “millions of women who have been full-time homemakers most of their lives, although their number has been declining rapidly. There are many more women who have been full-time or part-time homemakers intermittently” (Ferber 1993: 43). Thus, women's gains have come mainly in the form of dual entitlement (see Table 6). If these women's own worker benefits had been higher than half of their husband's, they would be classified as “worker only,”⁹ a figure that was actually lower in 1995 than it was in 1960, perhaps as a result of more low-wage women entering the labor force and accumulating sufficient quarters of coverage to qualify for worker benefits. Instead, these

⁸ If they lack the requisite work history, however, married women are not eligible for disability benefits based on their husbands' work records, so employment does provide them a benefit that marriage alone does not.

⁹ This designation may be confusing because the beneficiaries in question would have qualified for spousal benefits if they were not entitled to retired worker benefits that are greater than the spousal benefits.

dually entitled women do better with what is, in essence, the spousal benefit.

At widowhood—and most women outlive their husbands—survivors either collect their spouses' full benefits or continue to receive their own retired worker benefits, whichever are greater. They cease to get the 50-percent spousal benefit. The same holds true for divorced women. If their ex-husbands die, they, too, may be eligible for higher survivors' benefits.

Receipt of benefits based on husbands' work records and earnings may continue into the foreseeable future, in spite of women's growing labor force attachment. Sandell and Iams (1996) estimate that women's changing work patterns and earnings will result in higher income for couples, but little improvement for most widows. A growing proportion of wives, they maintain, will qualify for Social Security benefits of their own that exceed *half* of their husbands' benefits but are less than 100 percent of those benefits. If they outlive their husbands, these women will find themselves "better off" with survivors' benefits than they would be with their own retired worker ones.

The projections of Sandell and Iams suggest that fewer than 20 percent of baby boom widows in the early part of the next century will collect higher benefits based on their own earnings, in contrast to about 8 percent today. As a result, "a sizable proportion, not too different than today's, of next century's elderly widows will be at risk of economic distress" (Sandell and Iams 1996: 12).

Reinforcing this observation are projections from the Commonwealth Fund Commission on the Elderly People Living Alone (1987: OR-2), which indicate that by 2020, poverty among the aged will be largely confined to persons living alone, virtually all of whom will be women. Moreover, the gap between these women and other elderly

persons is expected to widen. Hence, developments that threaten to undermine the income support the aged *now* receive should be examined carefully for their potential impact on this vulnerable group.

Social Security Provisions of Particular Importance to Women

Social Security is gender neutral, which means that men and women with identical work histories and earnings can expect identical benefits. The gender neutrality of Social Security extends to its actuarial calculations. In the private market, sellers of annuities can take into consideration the fact that a set sum or accumulation of savings must, on average, last longer in the case of women. Thus, the same accumulation may purchase lower monthly benefits for women than for men, though payments over a lifetime may be the same. This cannot happen under Social Security.

Nonetheless, because women's and men's lives are anything but gender neutral, the Social Security benefits they receive typically vary substantially in both type and amount. Not surprisingly, women's benefits typically are lower than men's.

At the end of 1995, female retired workers were receiving monthly benefits that averaged \$621, in contrast to \$810 for men (Social Security Administration 1996: Table 5.A1). This gap reflects less time in the labor force on the part of women, as well as their greater probability of working part time and their continued concentration in lower-wage occupations.

The gender neutrality aspect of Social Security aside, a number of Social Security's provisions are especially beneficial to women, although men in comparable circumstances would benefit from these provisions as well. For example, 99 percent of the spousal benefit recipients are women, as are 98 percent of the dually entitled (Social Security

Administration 1996: Tables 5.A1 and 5.G2). The U.S. General Accounting Office (GAO) notes that "because women receive spousal and survivor benefits more often than men and, hence, are subject to the dual entitlement limitation more often, these concerns are often viewed as women's issues" (U.S. General Accounting Office 1996: 48).

The Benefit Formula

Women also gain from the way Social Security benefits are calculated because the benefit calculation formula replaces a higher proportion of the wages of low-wage workers than of higher-wage workers. For single earners with low, average, and high earnings, for example, Social Security replaces, respectively, about 53 percent, 40 percent, and 26 percent of their wages (Steuerle and Bakija 1994: 96).

The progressive benefit formula redistributes income from higher-wage earners to lower-wage earners who, it has been recognized since the system's inception, would have more difficulty achieving income adequacy in old age than their higher-earning counterparts. Since women are disproportionately found among the lower earners, this "weighted benefit formula" is especially important to them.¹⁰ Private pension benefits lack the redistributive element of a weighted benefit formula, which is a fundamental feature of social insurance in the United States.¹¹

The fact that divorced women can collect benefits on their ex-husbands' work records

¹⁰ Of course, the weighted benefit formula is no substitute for improving the wages and benefits of women. High earners still receive higher absolute benefits than low earners, even if those benefits replace a lower proportion of pre-retirement earnings.

¹¹ Women may lose some of that progressivity if their Social Security and private pension benefits are integrated.

and that multiple ex-spouses who meet the duration-of-marriage test can collect benefits as divorcees or widows, underscores the role that Social Security plays in protecting against income loss and providing a floor of security. In sum, as Ferber (1993: 43) notes, Social Security "favors lower income workers and makes provisions for spouses who are not employed," two aspects of the system that favor women as a result.

Defined Benefit vs. Defined Contribution Protection

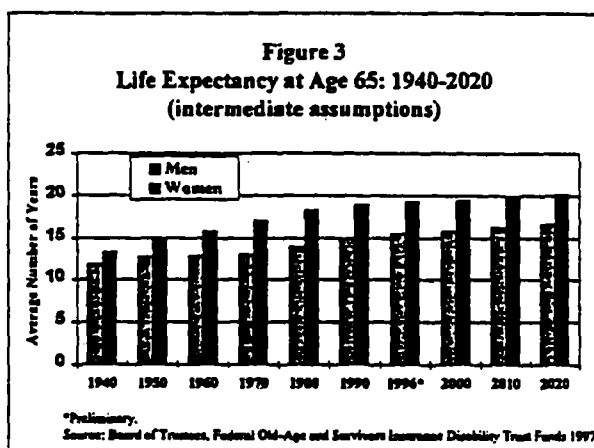
Social Security is a defined benefit retirement income plan that uses a formula set by law to calculate benefits based on earnings up to an annual maximum limit and years of coverage (35 years of highest earnings). Workers can, albeit generally with some help from the Social Security Administration, estimate what their benefits will be under reasonable assumptions about wage increases and years of employment. That is not, however, the case with defined contribution private pension plans, such as 401(k)s, which are claiming an increasing share of the private pension market. With defined contribution plans, market risk is a real risk: retirement annuities or lump-sum distributions from those plans depend on the amount invested and the earnings on the investments. Poor investment choices, as well as both the unwillingness and inability to save, can also undermine retirement-income accumulations.

Moreover, retirees need never fear outliving their Social Security benefits. Because Social Security cannot be taken as a lump sum or as graduated payments or phased withdrawals, beneficiaries can never "use up" their Social Security. Furthermore, because old-age and survivor benefits cannot be cashed out at early ages, qualifying retirees can never get their hands on the money prematurely. Assuming workers have sufficient quarters of coverage, something will always be there for retirement. In contrast, cashouts pose a significant problem for savers

in defined contribution plans, especially at the time of a job change. Women are more likely than men to cash out their defined-contribution accumulations before retirement age (Korczyk 1996a).

Longevity

Longevity should also be kept in mind by women as well as men as they plan for their income needs in old age. Life expectancy at age 65 has risen for both men and women since the early years of Social Security (Figure 3), though the female/male longevity gap is wider than it was six decades ago. As of 1996, at age 65 the average woman could expect to live more than 19 years; future female retirees will have to plan for an even longer retirement. Very old Social Security beneficiaries today, the vast majority of whom are women, are among the poorest of Americans. They may also face catastrophic health and long-term care expenditure at the same time that they risk exhausting their non-Social Security resources. Just how much more secure the very old of the future will be remains to be seen.



Longer life expectancy for women, coupled with the fact that wives are generally younger than their husbands, means that women are more likely than men to become widowed and, as a result, have a far greater probability of living alone. Some women reach old age never having married, but the percentage currently is low (about 4 percent).

Many more are widowed, and by age 75, only about one fourth of women are married, in contrast to about 70 percent of men of the same age. Women are thus more likely to suffer the loss of income and social support resulting from the death of a spouse.

One of the great advantages of the Social Security system is that benefits are indexed. This guarantees that retirement benefits maintain their purchasing power over time. Almost no private pensions are automatically indexed, although a few grant ad hoc increases. A very long life expectancy accompanied by even modest inflation can seriously erode private retirement benefits. Private annuitants must purchase indexed annuities if they want any inflation protection in their defined contribution plans, but they pay for that protection in the form of lower benefits.

Social Security and Women's Unmet Needs

Despite the benefits that accrue to women under Social Security, the program today is not without critics. Its gender neutrality, for example, by definition fails to make allowances for the fact that caregiving responsibilities are one reason that women's work histories continue to be shorter than men's. Social Security benefit calculations assume a 40-year work history, with the five lowest years of earnings omitted from the calculation. For women, some or all of these five years may be years of zero earnings. Earnings over the remaining 35 years are averaged, but if Social Security applicants have more than five years of no earnings—as many women still do—anything in excess of five is included as zeros in the estimation of average wages and calculation of benefits.

To be sure, more women are reaching retirement age with a full work history, but most still fall short of the full averaging period. GAO observes that the median number of years with covered earnings was 36 for men reaching age 62 in 1993; it was only 25

for women; less than 20 percent of women had 35 years, in contrast to almost 60 percent of men (Ross 1997).

"Provid[ing Social Security] participants with retirement benefits adequate to secure a basic subsistence standard of living" is the goal that drove the architects of the Social Security system (Steuerle and Bakija 1994: 15-16) and that has driven many of the system's subsequent reforms. Though attention to equity issues, or the fairness of benefits compared to contributions, was apparent at the outset, benefit adequacy was the greater concern at the outset as the architects of the program sought first to deal with the problem of poverty (ibid.: 14).

Concern about the well-being of dependent family members, particularly women and children, manifested itself in the early days of Social Security. The addition of benefits for wives and children that were not tied to their own work records, according to Derthick (1979: 260-261), "consciously introduced an avoidable bias into the program for the sake of welfare objectives."

That bias--an inequity accepted for the sake of adequacy--was the advantage accruing to a married couple with a single earner over a two-earner couple with the same earnings. The latter couple might pay the same Social Security taxes as the former, but the couple would collect less from Social Security. Each qualifying worker in a two-earner couple would get a retired worker's benefit, while the single-earner couple could claim a worker's benefit and a spousal benefit.

This inequity has proven nettlesome to many dual-earner couples as their numbers have increased. It also translates into an adequacy issue, especially upon widowhood. The benefit to which the surviving spouse, again generally a woman, is entitled will be substantially lower for the survivor of a dual-earning couple than the survivor of the single earner with comparable earnings. Household

expenses may fall at this time, but, as Rappaport (1997: 35) observes, "the difference in cost of living is far smaller than the difference in income." Survivors of dual-earner couples may experience considerable hardship as a result of the decline in household income at this time.

As more married women began to find themselves part of dual-earner couples, issues of equity or fairness began to strike a chord,¹² and by the late 1970s, women's advocates were increasingly seeking to bring some of these issues to the fore. Income adequacy, especially for nonmarried women and the very old, continued to be a concern. Although women's status in retirement was clearly improving, many women's advocates agreed with former Congresswoman Mary Rose Oakar, Chair of the House Task Force on Social Security and Women, when she argued that correcting the inequities toward women in the Social Security system was "one of our top domestic issues" (U.S. House of Representatives 1980: 2).

Improving Women's Status in Old Age

There have been numerous proposals since the 1970s and early 1980s to make Social Security more equitable and/or more adequate for women (see, e.g., U.S. House of Representatives 1980 and 1985; Beedon 1991; Burkhauser and Smeeding 1994; Center for Women Policy Studies 1988; Save Our Security 1996; Steuerle and Bakija 1994). Reform proposals have varied, from the radical solution of earnings-sharing for married couples--whereby the earnings of both partners would be halved and credited to

¹² GAO (1996) recently summed up the key inequities that have the greatest impact on women: two-earner couples receive lower benefits than one-earner couples with the same earnings; the survivors of these couples get less as well. In addition, dually entitled beneficiaries get no more in Social Security benefits than they would receive if they had never worked.

the earnings records of each spouse—to more modest proposals, such as increasing the number of dropout years in the calculation of average earnings under Social Security.

However, most proposals, as Ferber points out, “have come to naught,” which she does not find surprising, since there is so much disagreement “about what the effects of Social Security are, and what the outcomes should be” (Ferber 1993: 43). Moreover, many of the proposals have been costly, involved benefit cuts to some beneficiaries—never politically popular—and/or would be phased in over such a long period of time that years or decades would have to pass before full implementation. Hence few women who need help immediately would benefit from the change.

Though momentum for reform that would benefit women under Social Security seemed to be building in the late 1970s, demographic, economic, and other pressures were conspiring against significant improvements. Costly changes, in particular, were beginning to look doomed. By 1983, the Social Security system was in short-term actuarial imbalance, and the situation was urgent. Restoring solvency to the system at that time allowed for very few benefit enhancements, though the modest improvements that were included in the 1983 amendments to the Social Security Act were largely seen as “women’s” benefits.¹³

Social Security for the 21st Century

Despite the fact that the Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds will build up sizable reserves for

¹³ Under these amendments, a divorced spouse who was at least age 62 would be able to collect Social Security benefits based on the earnings of her ex-spouse as long as the ex-spouse was eligible to receive benefits; he need not have begun collecting them. Benefits were also liberalized for certain spouses.

the next dozen years, the long term picture is not auspicious for costly benefit improvements, whether or not they involve enhanced adequacy or equity.

While Social Security revenues currently exceed payments, the system is not in actuarial balance over the long-term; the estimated deficit over the 75-year horizon used in Social Security projections amounts to 2.23 percent of taxable payroll for the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds (Board of Trustees 1997).¹⁴ The 1997 report of the Social Security Trustees notes that, all else being equal, the trust fund reserves which are currently growing will be drawn down beginning in about 2012 and will be exhausted by 2029.¹⁵ Thus, Social Security will be able to pay full benefits on time for more than three decades. To ensure that benefits will be paid in a timely fashion after that date, some changes will be necessary. The only possibilities are revenue increases and/or benefit decreases, the magnitude of which will depend on the specific proposals and when the changes are introduced.

Coupled with the solvency issue is growing concern about declining confidence in the ability of Social Security to pay benefits (see, e.g., Reno and Friedland 1997). According to a 1997 opinion survey by Public Agenda, about one-third of the public thinks “they won’t get any Social Security benefits at

¹⁴ This is the average difference between income (e.g., payroll contributions) and outgo (benefits and administrative costs) as a percent of taxable payroll over 75 years. To bring the trust funds into balance, revenues would have to be augmented or costs reduced by an average of 2.23 percent in each of the next 75 years.

¹⁵ The sensitivity of deficit projections to the assumptions on which they are based can be seen in the fact that, under the Social Security Actuaries’ low cost assumptions, the OASDI trust funds will never be exhausted (at least over the 75-year period), while under high-cost assumptions, exhaustion will occur in 2018, rather than 2029.

all," up from one-fourth since 1994 (Farkas and Johnson 1997: 23), even though at its lowest point, income to Social Security should be sufficient to pay three-fourths of projected benefits. The Social Security trustees refer to "an alarming erosion of public confidence in the Social Security system over the past few years, particularly among younger generations," insisting that early action is needed to ensure long-range solvency to restore that confidence (Social Security and Medicare Boards of Trustees 1997: 13).

As of fall 1997, Social Security reform was not yet on the Congressional Agenda, although President Clinton was promising "to do something soon" about Social Security (Harris 1997: A1), contending that the administration "would fulfill [its] responsibilities to curb the costs of Social Security." In his 1998 State of the Union address, he called for a national dialogue on Social Security to be facilitated by a series of bipartisan regional forums designed to increase public understanding of Social Security and various reform proposals.

Few politicians relish the prospects of reforming Social Security, long referred to as the third rail of politics. But while reform may be inevitable, opinions vary widely as to the degree of change that is necessary to restore long-range solvency. January 1997 saw the release of the report of the 1994-96 Advisory Council on Social Security, which had been appointed by the Secretary of Health and Human Services under Section 706 of the Social Security Act to "advise the public, the Administration, and Congress on how best to prepare" Social Security and Medicare for the future (Advisory Council on Social Security, Vol. I 1997: 6).

The Council's long-anticipated report was preceded by considerable media attention and discussion by policymakers and Social Security experts and aficionados for at least two reasons. This was the first Council that was unable to achieve consensus on major

recommendations. Its 13 members could not agree on how best to prepare Social Security for the future. But most likely accounting for the flurry of media interest in the topic of Social Security were recommendations for what would amount to restructuring of the Social Security system. Proposals to privatize Social Security by allowing workers to establish individual investment accounts and decide where to invest all or part of their Social Security contributions were being seriously considered.

It is worth emphasizing that most members of the Advisory Council did agree on a number of fundamental principles. For example, members eschewed conventional means-testing and approved continuing to finance the programs through contributions from employers and employees, rather than from general revenues. Members also indicated that full cost-of-living adjustments should be maintained. However, opinions differed greatly as to the most appropriate course of action to restore solvency. The result was three very distinct approaches to the solvency issue.

These plans are by no means the only ones that will figure in upcoming debates about Social Security. Social Security reform proposals have been offered by a number of organizations, some politicians, researchers, and policy analysts, including the Committee for Economic Development, the National Taxpayers' Union Foundation, Senators Kerrey and Simpson, the Concord Coalition, and the CATO Institute. More can be expected once Social Security moves to the top of the Congressional agenda. Space limitations preclude a consideration in this paper of all the plans. Instead, this issue brief highlights components of the three Advisory Council plans as they may affect women.

Because of the publicity surrounding, and a fair degree of public interest in, these plans, because many of the other plans include similar features, and because these plans

could serve as a point of departure for debate on reform in general, it seems reasonable to restrict discussion to the Advisory Council's recommendations at this time.

Social Security Reform and the 1994-1996 Social Security Advisory Council

Although the three reform plans of Social Security Advisory Council have some elements in common, they approach restoration of solvency in very different ways. The differences can largely be summed up with respect to the degree to which efforts would be made to maintain the system's social insurance principles, especially redistribution of income, or instead move toward a more privatized system, thereby shifting more of the burden of retirement support to future retirees themselves. A very brief summary of the three plans follows. (Greater detail can be found in Advisory Council on Social Security, Vol. I 1997.)

Maintain Benefits

Of the three Advisory Council reports, what is referred to as the Maintain Benefits (MB) plan would, as its name suggests, maintain the structure of the Social Security system much as it is today. Social Security would continue as a defined benefit plan, with benefits based on a set formula established by law. Income redistribution—so fundamental to this social insurance program and so important in ensuring income adequacy for low-wage workers—would be retained.

Solvency would be achieved by a number of rather modest changes. The plan would, for example, extend Social Security coverage to new state and local workers, tax Social Security benefits like private pension benefits, lengthen the benefit computation period from 35 to 38 years or, alternatively, slightly increase the payroll contribution rate, and eventually shift to OASDI that portion of Social Security revenues generated from taxing Social Security that now goes to the

Hospital Insurance (HI) Fund. If these changes proved insufficient to bring the system into actuarial balance, the plan would increase employer and employee payroll taxes in 2045.

The most innovative feature of the Maintain Benefits plan involves the possible investment after further study of a portion (up to perhaps 40 percent) of the Social Security trust fund reserves in private equities in a search for higher returns. Although some observers see such investment as a form of privatization, workers themselves would have no say over how funds were invested; an investment policy board nominated by the President and confirmed by the Senate would oversee investments. Earnings would accrue to the trust funds, not to workers' individual accounts. Despite the fact that the Maintain Benefits plan would make the fewest changes to Social Security, equity investment would nonetheless represent a significant departure from present policy.

Individual Accounts

The second plan proposes establishing mandatory individual accounts (IAs) similar to a 401(k) defined contribution plan. Workers, but not employers, would contribute an additional 1.6 percent of earnings to their individual accounts. They would be provided with limited investment choices, the accumulations of which would have to be converted to indexed annuities at retirement.

The IA plan would also extend Social Security coverage to new state and local workers, extend the benefit computation period to 38 years, lower the earnings replacement rate for middle- and high-wage earners, accelerate the scheduled increase in Social Security's full retirement age and subsequently index it to increases in longevity, and tax Social Security benefits like private pensions. The result of these changes, according to GAO, would be lower benefits from the "basic" Social Security

program for all workers (Advisory Council on Social Security 1997; Ross 1997: 7), although benefits from the individual accounts are intended to help offset the losses.

Finally, the 50-percent spousal benefit would be gradually reduced to 33 percent, and the survivor benefit increased. Under this plan, a survivor would collect the highest of his or her own basic benefit, the deceased spouse's benefits, or 75 percent of the couple's combined benefits.

Personal Security Accounts

The most radical of the three Advisory Council plans would turn Social Security into a two-tier system. Tier I would become a flat-rate benefit based on years of covered employment that, after 35 years of earnings, would amount to about two-thirds of the poverty level for a person living alone (which was \$410 a month in 1996).¹⁶ Tier II would consist of retirement income from workers' personal security accounts (PSAs) financed by allocating 5 percentage points of workers' payroll taxes to the new accounts.

Workers could invest their 5 percent in a wide-range of financial instruments. At retirement, workers would not be required to annuitize their investments. The Tier I benefit for spouses would be the highest of their own benefit, half their retired spouse's benefit, or half of the flat benefit, when fully phased in. Survivors would be eligible for 75 percent of the benefit payable to the couple; they could also inherit any balance in the PSA of the deceased worker.

In addition, the PSA plan would accelerate and index the increase in retirement age and then periodically examine the need

for additional changes, raise the age of early eligibility, and cover new state and local workers.

Social Security Reform's Impact on Women

Certainly, *everyone* has a stake in Social Security, and everyone will be affected by whatever reforms are ultimately implemented. However, as this issue brief and a sizable literature demonstrate, Social Security is without question a women's issue. Any proposal that would change the system, therefore, ought to be carefully scrutinized in terms of its impact on women. Rappaport (1997: 39) calls for making the changes needed to "ensure that we will have a strong Social Security system going forward," including a system that "will better handle a variety of family patterns."

All three plans could lead to long-term Social Security solvency, although their impact on various groups in the population will vary. Just how secure women would be under the various plans, though, remains a matter for further research. Since the Maintain Benefits plan would result in the fewest changes to the system, how women would fare in the future is essentially how they are faring today, although many might be worse off as a result of the lengthening of the benefit calculation period (discussed below).

Under the Individual Accounts (IA) plan, the National Academy of Social Insurance (NASI) calculates that the average earner would see a drop of 17 percent in his or her basic benefit from Social Security (Ross 1997: 8). Reductions would be higher for high-wage workers than low-wage workers.

The amount invested in individual accounts (an additional 1.6 percent of wages) would be expected to make up the difference between the basic benefit and what would be paid to workers under current law. It may do this, but it seems unlikely that income

¹⁶ Ultimately, workers with only 10 years of covered employment would be eligible for a benefit amounting to 50 percent of the full flat amount; this percentage would increase by two for each additional year worked up to 35.

adequacy in retirement would be greatly improved over what it is today.

The more dramatic changes would take place under the Personal Security Accounts (PSA) plan, whose provisions, especially the reconfiguration into a two-tier plan, stand to have a significant impact on women. As has been noted elsewhere in this paper, women with high-wage jobs have less to be concerned about when it comes to the Advisory Council's proposed changes (Williamson 1997b: 98), including those in the PSA plan. Affluent women, like everyone else, face market risk under privatization, but would come out ahead under many circumstances.

Privatization, even the partial privatization of the PSA and IA plans, poses big risks, especially for persons with limited resources. Low-income women, for example, have less to invest in the first place and would be less able than more affluent women to weather market downturns. They might also find it harder to obtain good market advice, given their limited income.

It also appears that women are more conservative investors than men (Hinz, McCarthy, and Turner 1997). That being the case, Ross (1997) notes, two investors with identical earnings could end up with very different retirement benefits. Women, in such instances, could expect the lower accumulations.

Women would also see lower benefits for the same accumulations because separate life tables could be used when IA or PSA accumulations were annuitized.¹⁷ Since women live longer, their monthly annuity benefits would be lower than those of men with the same accumulations. Payments over

a lifetime might be identical, but that is small consolation when monthly bills must be paid.

Moreover, although privatization proponents generally contend that most workers *could* do better in the private market than under Social Security, IA and PSA investors would face market risk. How the market has performed historically may not apply to specific groups of workers, and may not be in evidence at the time a particular cohort retires.

Over the long run, investments in the stock market have returned approximately 10 percent per year in nominal terms; between 1926 and 1994, the average return for the S&P 500 was 10.2 percent, or 6.9 percent after adjusting for inflation (Levine and Levine 1996: 222). However, some bear markets are deep and prolonged. On September 3, 1929, the Dow Jones reached a level it did not see again until November 23, 1954 (Pierce 1996). More recently, between January of 1973 and September of 1974, the market declined by 43 percent (or by 52 percent after factoring in inflation) (Ibbotson and Brinson 1993: 162). The phenomenal bull market of the past 15 years is not typical of the last 50 years, nor is it likely to be typical of the next 50 years, particularly if growth rates turn out to be lower than the nation experienced during the past 50 years (Williamson 1997a: 565).

There is also the question of who would actually own the accumulations in married workers' accounts. In the case of PSAs, the owner is clearly the worker, despite the fact that husbands and wives may make joint decisions about who works and when, and how money should be invested. Under the PSA plan, the owner would be under no obligation at the time of disbursement to purchase an annuity but could opt instead for a lump-sum payment. Unless Congress decided otherwise, that decision would be left to the owner of the PSA; spouses would not have a say in receiving any share of the money. This provision in the PSA plan could

¹⁷ As noted elsewhere in this paper, the PSA plan does not require annuitization. Adverse selection under such circumstances could make annuities very expensive in the private market.

have a disproportionate and negative impact on women.

Divorced women are given short shrift in both IA and PSA plans. They would apparently have to depend on the divorce settlement for any share of the accumulation in a spouse's account. Williamson (1997b: 103) explains that under the IA plan a divorced woman would otherwise have no claim on her former husband's individual account so long as he was alive. At his death she would become eligible for only half of his benefit from his mandatory individual account. The divorced spouse of a worker with a PSA could not even count on that, as annuitization would not be required.

Women with sufficient work histories would always qualify for PSA's Tier I benefits, but that benefit would guarantee substantially less relative to the poverty level than the average woman's retired worker benefit today. Many women would be able to make up the difference with their PSA Tier II benefits, but others might not fare so well. This might tend to be the case if workers were tempted and allowed to gain access to their accumulations before retirement.

The question of preretirement access to IAs or PSAs is a critical concern, and Congress may be reluctant to limit people's access to their own money in time of need. Women tend to be less likely to retain lump-sum pension distributions for retirement (Korczyk 1996a). Might they also be more likely to tap into these new retirement savings, if permitted?

Advisory Council member Thomas Jones speculates that the pressure to use retirement savings prematurely might "dwarf the political risk attributed to the current pay-as-you-go system" (Jones 1996: 5). He also worries that "political support for the first pillar [the basic benefit] might weaken once it is explicitly separated from the individual

account pillar." Women would have a great deal to lose if this were to happen.

Although the PSA plan represents the most radical of the proposed changes discussed in this paper, a number of the other proposals would likely have a disproportionate impact on certain groups, such as women and those with low incomes. Raising the full retirement age might disproportionately affect low-wage workers in demanding jobs that do not lend themselves to a longer worklife. Skills obsolescence is also a problem for many low-wage workers, who may also be at greater risk than high-wage workers of experiencing health problems that affect ability to work. Not all such workers would be women, but women are heavily represented in the low-wage jobs whose numbers are projected to increase the most over the next decade (Silvestri 1997). More affluent workers, on the other hand, may have the resources to continue to retire early, as well as the education and skills that encourage employers to retain them longer.

Women will also find it more difficult than men to meet the longer benefit computation period. According to Social Security actuaries, only 15 percent of women retiring in 1999 vs. 57 percent of men, would be able to meet a 38-year averaging period (Fierst 1997: 137).

Benefit Improvements

Given the need for revenue increases or benefit cuts just to keep the present system afloat, the prospects for benefit expansion would appear to be dim. And, to be sure, like everyone, women will benefit from a fiscally solvent Social Security system.

Yet many people continue to worry about income adequacy in old age, especially among nonmarried women, and have proposed reforms to address that inadequacy. The majority of Advisory Council members (as well as others [e.g., Burkhauser and Smeeding

1994; Sandell and Iams 1997)) support reducing spousal benefits and increasing benefits for survivors. While there are various ways to do this, one way, as mentioned above, is to reduce the spousal benefit from 50 to 33 percent and increase the survivors' benefit to 75 percent of combined benefits. Such a proposal is actually a nod in the direction of greater equity, as higher benefits would go to survivors of dual-, not single-, earner couples.

Many survivors would be no better off under the change, however, and the change would do nothing for never-married or divorced women, who are among the poorest aged today. In fact, divorced women could be far worse off, as they would qualify for only one-third of their ex-husbands' benefits, rather than half. While the number of women who collect benefits as divorced spouses is low, they are a particularly needy group. Finally, intact couples would have to get by on less while both partners were alive if one partner were entitled to the spousal benefit. This might prove difficult for low-income couples. Choudhury and Leonesio (1997) caution that this proposed change might not have the desired impact due to the fact that a lifetime of poverty, rather than loss of a spouse, appears to be the primary determinant of poverty in old age for the majority of women.

Conclusions

The market risk of even a partially privatized Social Security system is very real and deserves a great deal more attention than it has received to date. Policymakers, retirement-income experts, and women's advocates, among others, need to think long and hard before asking moderate- and particularly low-wage workers, a category that includes many women, to take those risks (Williamson 1997a). The market does not just go up. Declines can be swift, deep, and prolonged.

The Social Security Trustees argue that many of the proposals for reform would

involve "a profound shift in philosophy and would have significant ramifications [that] deserve careful examination and consideration by policymakers and the American public before any changes are made" (Social Security and Medicare Boards of Trustees 1997: 13.) The recently confirmed administrator of the now-independent Social Security Administration, Kenneth S. Apfel, hopes to enhance understanding of Social Security and foster dialogue on the tough choices not only on Capitol Hill, "but also in family living rooms all across America" (Social Security Administration 1997).

The level of ignorance about Social Security basics, to say nothing of its financing and reform (see, e.g., Farkas and Johnson 1997), suggests that the public debate and discussion about the "tough choices" must be preceded by a public information/education campaign that tries to provide the public with the tools it needs to make informed decisions. Women, in particular, must be a focus of the campaigns.

However, before Social Security is fundamentally overhauled, more and far better data are required on the combined effect and distributional impact of any changes. There can be little doubt that women's well-being would be profoundly affected by some of the reforms being considered. Just who would be most affected and by how much needs further examination. Even the experts don't have the answers. Reform might not make women better off than they are today, but it should not worsen their often precarious situation in old age.

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HOW WOULD VARIOUS SOCIAL SECURITY REFORM PLANS AFFECT SOCIAL SECURITY BENEFITS?

An Analysis of the Congressional Research Service Report

by Kilolo Kijakazi and Robert Greenstein

Summary

In June of this year, Rep. Charles Rangel, ranking member of the House Ways and Means Committee, released a Congressional Research Service analysis he had requested on the extent to which three Social Security reform proposals would reduce defined Social Security benefits. The three plans include:

- the bill introduced by Senators Daniel Patrick Moynihan and Robert Kerrey (S. 1792);
- a proposal by the National Commission on Retirement Policy, a panel of Members of Congress and private citizens organized by the Center for Strategic and International Studies (legislation recently introduced in the Senate by Senators Judd Gregg, John Breaux and a few other senators — S. 2313 — and in the House by Reps. Jim Kolbe, Charles Stenholm, and others — H.R. 4256 — is based on the NCRP proposal); and
- a May 1998 proposal by Robert Ball, commissioner of the Social Security Administration under Presidents Kennedy, Johnson, and Nixon and a member of the 1994-1996 Social Security Advisory Council.

The CRS analysis was not designed to be a comprehensive analysis of all components of these three plans, but rather an assessment of an important issue — the degree to which the "defined," or guaranteed, benefits that beneficiaries would be assured of receiving through the Social Security system would change under the three plans. Accordingly, the study does not examine the retirement income that could be generated by individual accounts, which the three plans all contain in differing forms.¹

The CRS analysis finds that the Social Security benefits guaranteed under the three plans vary greatly.

¹ The analysis also does not examine changes in payroll taxes or the effects of a few features of the plans, such as proposals in some plans to eliminate the Social Security earnings test.

Table 1

Estimates by the Social Security Actuaries of Benefit Reductions for Average-Wage Earners Under the Three Plans¹

Year of Retirement	Moynihan-Kerrey	NCRP	Ball
2025	11%	33%	1-2%
2070	22%	48%	1-2%

Source: SSA actuaries estimates, as reported by CRS

¹ These estimates reflect benefit reductions in the year of retirement for beneficiaries retiring at age 65, except that the estimates for the NCRP plan in 2070 reflect benefit reductions for individuals retiring at age 67. The SSA actuaries did not prepare estimates of the effects of the NCRP plan in 2070 for individuals retiring at age 65. These estimates do not include the effects of certain features of these plans, including changes in the taxation of Social Security benefits and in the length of the earnings averaging period that is used to compute Social Security benefits. These estimates also do not reflect the effects on retirees as they grow older of provisions reducing cost-of-living adjustments.

reduced by 22 percent, or more than one-fifth.³ The benefit reduction percentage would remain very small under the Ball plan. (See Table 1.)

(Note: Under the NCRP plan, reductions in Social Security benefits would be smaller for low-wage earners than to average-wage earners due to establishment of a new Social Security minimum benefit. According to the CRS study, the reduction in Social Security benefits for a low-wage earner retiring in 2025 at age 65 would be 13 percent under the NCRP plan. The reduction for a low-wage earner retiring at 67 in 2070 would be 31 percent. In conducting this analysis, CRS defined a low-wage earner as one who earned 45 percent of the average wage throughout his work career; currently, 45 percent of the average wage is \$12,552.⁴)

The CRS study also explains that under the three plans, there would be additional reductions in guaranteed benefits as beneficiaries grow older after retirement, due to changes the plans make in procedures either for computing annual Social Security cost-of-living adjustments or for measuring changes in the Consumer Price Index on which the cost-of-living adjustments depend. The additional reductions

³ The memoranda prepared by the Social Security actuaries that CRS used in conducting its analysis do not provide data on the percentage reduction in benefits for workers retiring at age 67 under the Moynihan-Kerrey plan.

⁴ Individuals with earnings lower than 45 percent of the average wage would face smaller Social Security benefit reductions in the NCRP plan if they worked a sufficient number of years. The minimum benefit for a very low-wage worker under the NCRP plan could exceed the benefit the worker would receive under current law.

Why Does the Depth of the Benefit Reductions Differ So Much?

These findings raise an important question. What accounts for the CRS finding that the Ball plan would reduce defined Social Security benefits much less than the other two plans while doing as well in closing the 75-year imbalance? There are two principal reasons for this finding.

First, the other two plans reduce the revenue going into the Social Security trust fund and place greater reliance on individual accounts; they essentially divert payroll contributions from the trust fund to individual accounts. The Ball plan, by contrast, does not reduce the revenue going into the trust fund. It adds voluntary individual accounts on top of Social Security but does not divert money from the trust fund for them.

Under current law, the revenue the trust fund is projected to receive over the next 75 years is insufficient to pay the full benefits to which beneficiaries would be entitled during this period. This is what is meant by the statement that Social Security eventually becomes insolvent. Diverting payroll tax revenue from the Social Security trust fund makes the financing shortfall larger and consequently necessitates deeper benefit reductions (or larger payroll tax increases) to put the trust fund back into long-term balance. As the Congressional Research Service explained in an earlier report: "Obviously, if it is projected that the taxes that finance the [Social Security] system are insufficient to pay future promised benefits, earmarking some of them for the buildup of private accounts would make this problem worse. It would mean that to restore the system to solvency future tax increases would have to be larger or benefits cut deeper."⁷

Not surprisingly, CRS found that the NCRP plan, which diverts the most revenue from the Social Security trust fund, contains the deepest Social Security benefit reductions. Among the large benefit reductions in this plan is an across-the-board benefit cut resulting from an increase in the age at which individuals may retire and receive full benefits; the age at which individuals can retire and receive full Social Security benefits would be raised to 70 by 2029 and to approximately 72½ by 2075, a larger increase than any other major plan has proposed.⁸ The plan also includes a reduction of one-third in Social Security spousal benefits. (These benefit reductions are described in more detail later in this paper.)

⁷ "Ideas for Privatizing Social Security," Congressional Research Service, April 6, 1998.

⁸ The age at which individuals may retire and receive full Social Security benefits is commonly referred to as the "normal retirement age." That term, however, is a misnomer; the majority of Social Security beneficiaries retire and begin drawing benefits before this age. What is commonly called the "normal retirement age" is simply the age at which full, rather than reduced, Social Security benefits are paid.

The CRS Analysis and Individual Accounts

Proponents of the NCRP plan and the Moynihan/Kerrey bill have criticized the CRS analysis. They fault it for not including the retirement income that would result from the individual accounts the plans contain. They also argue that it is not appropriate to compare benefits under these plans to benefits under the current Social Security system since the current system will not be solvent over the long term. They contend the proposed plans should be compared to a Social Security system revised in a manner that puts it in long-term actuarial balance.

Proposals to divert part of the payroll tax revenue from the Social Security trust fund to individual accounts entail moving partially from a "defined benefit" plan that specifies the payment of particular benefit amounts based on a retiree's earnings history (i.e., from Social Security) to a "defined contribution" plan in which the benefits available to retirees vary greatly. Under a defined contribution plan, benefits depend not only on a beneficiary's earnings history but also on individual investment decisions, the performance of the stock and bond markets (including the state of the markets in the year an individual retires), the real interest rate assumptions used when retirees convert their accounts to annuities, the extent to which funds in individual accounts are consumed by fees that firms charge for managing the accounts (and, where applicable, for converting accounts to annuities at retirement), and other factors.

In weighing options for reforming Social Security, policymakers need to understand the degree to which the defined benefits — that is, the benefits Social Security provides — would be reduced under various approaches, since it is only the defined benefits that retirees are assured of receiving at specified levels. This is the information the CRS study provides.

More comprehensive analyses that factor in the anticipated returns from individual accounts also are needed and should be undertaken. Such analyses are more difficult to conduct, however, than the type of analysis CRS has conducted on the extent to which these three plans would reduce Social Security benefits. Analyses attempting to factor in returns from individual accounts consequently will need to be undertaken with great care. In particular, such studies will need to consider several factors that may have a large impact on the retirement income that individual accounts generate:

Variation in returns from individual accounts: Since individual accounts do not provide defined benefits, the levels of income they generate will differ considerably among beneficiaries and over time. The retirement income from such accounts is likely to offset the reductions in Social Security benefits for some retirees but not others. Retirees who are lucky or wise in their investments should be able to offset the full loss in their guaranteed benefits. Retirees who are unlucky or unwise in their investments — including those who retire and convert their account to a lifetime annuity in a year the market is down — would

problematic because it would fail to reflect the increased risk to beneficiaries that individual accounts carry.

Administrative and Other Costs: Analyses of the retirement income that individual accounts would provide also need to factor in the costs associated with such accounts. Since such costs are paid out of the funds in the accounts, they affect the amount of money available in the accounts to pay retirement benefits.

Private accounts necessarily incur administrative and management fees. Some private account systems also incur costs when account-holders retire and convert the funds in their accounts to lifetime annuities. The individual retirement accounts — or IRAs — and the 401(k) accounts that many Americans possess incur all of these costs. Estimates from two eminent economists, Peter Diamond of M.I.T and Henry Aaron of the Brookings Institution, indicate that between 7.5 percent and 30 percent or more of the amounts saved or earned under the individual account systems that would be established under various Social Security privatization proposals would be consumed by administrative, management, and (where applicable) annuitization costs and fees.

Plans that invest Social Security trust fund revenues in equities, rather than diverting trust fund revenue to individual accounts, avoid almost all of these costs. The General Accounting Office recently reported: "Most of the cost of managing an index fund is incurred maintaining thousands of individual accounts. In contrast, the government, as a single investor, would incur negligible costs as a percentage of its assets. Therefore, investing collectively through the government would result in significant administrative savings compared to investing through individual accounts."¹¹

This is one of the reasons some Social Security experts, such as Brookings Institution senior fellows Henry Aaron and Robert Reischauer, the former CBO director, favor investing a portion of trust fund reserves in equities as an alternative to individual accounts. Aaron and Reischauer observe that because investing trust fund reserves in equities would avoid such costs, it would generate a higher average net rate of return than individual accounts while exposing beneficiaries to much less individual investment risk.

The Social Security "Baseline"

The other criticism lodged against the CRS analysis by proponents of the NCRP plan and the Moynihan/Kerrey bill is that comparing benefits under reform plans to

¹¹ General Accounting Office, "Social Security Financing: Implications of Stock Investing for the Trust Fund, the Federal Budget, and Economy," statement of Barbara D. Bovbjerg before the Senate Special Committee on Aging, April 22, 1998.

financing shortfall and necessitates deeper benefit reductions to eliminate the shortfall. The NCRP plan reduces the revenue going into the trust fund on a permanent basis, while the Moynihan-Kerrey plan reduces trust fund revenue for the next 30 years (and, on average, over the 75-year period used in Social Security projections).

The NCRP plan mandates the permanent diversion of two percentage points of the payroll tax from the Social Security trust fund to individual accounts. The Moynihan-Kerrey bill reduces the payroll tax by two percentage points through 2024 (and by less than two percentage points from 2025 through 2029).¹² The Moynihan-Kerrey plan provides for voluntary individual accounts funded with its one percentage point reduction in the *employee* share of the payroll tax, along with a mandatory employer matching contribution for any employee establishing such an account, financed by the one percentage point reduction in the *employer's* share of the payroll tax.

Reducing the revenue going into the Social Security trust fund necessitates deeper reductions in Social Security benefits to restore long-term balance. For example, an analysis by the Social Security actuaries shows that the NCRP plan's diversion of two percentage points of payroll tax revenue to individual accounts increases the deficit in the Social Security trust fund by an amount equal to 1.82 percent of taxable payroll over the next 75 years. The Social Security actuaries project that the current shortfall equals 2.19 percent of taxable payroll over the next 75 years. By deepening the shortfall by 1.82 percent of taxable payroll, the NCRP plan's diversion of two percent of the payroll tax enlarges the size of the Social Security deficit approximately 80 percent. That, in turn, necessitates Social Security benefit reductions about 80 percent larger than otherwise would be needed to restore Social Security to long-term balance.¹³

The NCRP plan achieves these deeper benefit reductions in a number of ways, including the following.

- The NCRP plan raises the age at which individuals can retire and receive full, rather than reduced, Social Security benefits to a higher age level than any of the other major plans that have been offered. For example,

¹² The Moynihan-Kerrey plan begins to raise the payroll tax in 2025 and restores the tax rate to its current level by 2030. The plan also would begin to raise the payroll tax rate slightly *above* the current level in 2045 and continue raising it until 2060. At that time, the combined employee and employer shares of the payroll tax would be one percentage point above the current level.

¹³ The NCRP plan offsets a modest portion of the revenue loss by shifting from the Medicare trust fund to the Social Security trust fund the share of the revenue from partial taxation of Social Security benefits that currently is deposited in the Medicare Hospital Insurance Trust. Shifting this revenue would deepen the long-term fiscal imbalance in the Medicare trust fund, however, which is more serious than the long-term imbalance in the Social Security trust funds. When all of its changes in trust fund revenue are considered, the NCRP plan deepens the trust fund shortfall by 1.39 percentage points of payroll, or 50 percent.

- The NCRP plan also makes major changes in the Social Security benefit computation formula. Under the current, progressive formula, Social Security benefits equal 90 percent of the first \$477 of a worker's average monthly wage over his or her work-years, 32 percent of the next \$2,875 of a worker's average monthly wage over his or her work years, and 15 percent of the remainder of a former worker's average monthly wage.¹⁶ The NCRP plan would, over time, lower these 32 percent and 15 percent "replacement rates" to 21.36 percent and 10.01 percent, respectively, which would constitute a large benefit reduction. A significantly smaller percentage of the wages and salaries many workers earned would be replaced by Social Security benefits when they retired. This formula change alone reduces benefits for a worker whose average wages are \$40,000 in 1998, and whose wages rise in subsequent years at the same rate as average wages in the economy, by 22 percent.
- In addition, the NCRP plan proposes to reduce the benefit Social Security provides to spouses of primary wage-earners; the spousal benefit would be lowered from 50 percent of the primary wage-earner's benefit, as under current law, to 33 percent of that benefit. Many spouses thus would experience a benefit reduction of up to one-third, on top of the NCRP plan's other benefit reductions. (Some members of the 1994-1996 Social Security Advisory Council also proposed to reduce the spousal benefit, but they used the savings from this proposal to help finance an *increase* in the benefits that Social Security pays to widows and widowers so as to provide more adequately for widows, who face poverty at very high rates.¹⁷ In 1996, some 39 percent of elderly widows — about two in every five — had incomes below 150 percent of the poverty line.¹⁸ Reducing spousal benefits without raising widows' benefits would reduce benefits principally among women.)

Since the Ball plan does not divert trust fund revenue to fund individual accounts, it does not need Social Security benefit reductions of this magnitude. As noted above, the Ball plan further shrinks the size of the benefit reductions or tax

¹⁶ In computing these average monthly wage figures, the Social Security Administration indexes wages earned in years before a worker's retirement by changes in average wages in the U.S. economy in the intervening years.

¹⁷ Under the recommendation these Advisory Council members made, the widow or widower of a deceased worker would receive 75 percent of what the couple's *combined* benefit would have been, rather than receiving only the worker's benefit (or only the widow or widower's own benefit, if larger), as under current law. *Report of the 1994-1996 Advisory Council on Social Security, Volume I: Findings and Recommendations*, January 1997

¹⁸ Bureau of the Census, Current Population Survey, 1996, March 1997.

The Year of Retirement Can Greatly Affect a Beneficiary's Level of Retirement Income Under A System of Individual Accounts

There also are a number of other ways in which investment risk would affect the retirement income an individual would receive under a system of individual accounts. For example, Gary Burtless, a senior fellow at the Brookings Institution, has shown that under such a system, the amount of the monthly annuity for an individual who converts his or her individual account to an annuity at retirement could vary greatly not only as a result of the investment choices a worker has made but also as a result of the state of the stock market in the year the individual retired.

If an individual retires and converts his or her account to an annuity in a year in which the stock market is very high, the individual is likely to receive a more ample annuity check. But if the individual has the misfortune to retire and annuitize when the market is down, the individual can be faced with a meager income for the rest of his or her life. Burtless' research shows that if workers retiring in the 1960s and 1970s had deposited funds in individual accounts throughout their careers, with the money invested in stock index funds, an average male worker who retired and converted an individual account to an annuity in 1976 would have received a monthly benefit for the rest of his life that was *only a little more than half as large* as the monthly benefit an average male worker who retired and annuitized seven years earlier, in 1969, would have received.

ranges, tend to oversimplify this matter. Another possible approach is to attempt to estimate the percentage of individuals likely to secure rates of return lower (or higher) than the average rate of return. Such variations are particularly important in light of the fundamental purpose of social insurance, which is to *assure* the retired, the disabled, and survivors a certain basic income.

Even more difficult is the task of estimating how the stock market will perform in coming decades. Given the dizzying increases in the market in recent years, using market performance for a period that includes these years to predict future performance may generate estimates of rates of return for individual accounts that prove to be too high. The ratio of stock prices to corporate earnings has climbed well above its traditional range, which raises questions about how much further the equities markets will rise. No one knows the answer to this question. In recent congressional testimony, Rudolph Penner, who backs the NCRP plan, acknowledged that for this reason, "considerable uncertainty surrounds the assumption regarding what can be earned" through investment in equities.²⁰ (It may be recalled that only three decades ago, in the 1970s, the market performed poorly and lost a large share of its value.)

²⁰ Testimony of Rudolph G. Penner, senior fellow, the Urban Institute, before the Senate Budget Committee, July 23, 1998.

Financial Securities Analyst Explains That Administrative Costs Can Substantially Reduce Returns From Accounts

-- In testimony July 24 before the Subcommittee on Finance and Hazardous Materials of the House Commerce Committee, Joel M. Dickson, Senior Investment Analyst with the Vanguard Group, explained the large role that administrative costs can play in lowering rates of return that individual accounts can provide, especially for the smaller-than-average accounts of workers with below-average earnings. Dickson stated:

"Much of the recent debate on individual accounts has centered around how Social Security participants can earn higher rates of return — like those experienced in the private financial markets. Unfortunately, there is often a large gap between the assumed market return on an investment and the actual return realized by investors. The reason? Cost... What may seem to be a relatively small cost difference over a short period of time can become an enormous difference over a long investment horizon....

"Consider a \$1,000 investment in two equity funds; one earns a market return of 10%; the second earns only 8%, which represents the market's return reduced by an all-too-realistic total cost of 2% (arising from charged expenses and portfolio transaction costs). After the first year, the difference in account values between the two options is only \$20. Of course, a participant investing over the course of their working lifetime must consider much longer time horizons. Over 40 years, the first fund soars to \$45,000. The second fund, earning 2% less per year, grows to \$22,000 — less than half what the market earned....

"The key pricing variable for private accounts is the average account size. To the extent that costs of servicing the accounts could not be covered by asset-based management fees, other charges — like account maintenance fees — are likely. One of the criticisms often made about privately-managed, individual accounts is that lower-income workers may not be as financially savvy, resulting in lower average returns. I think a bigger issue is that lower-income and part-time workers will have small account balances, potentially subjecting them to higher fees because asset-based revenue cannot begin to cover the costs of maintaining these accounts. Thus, they are likely to earn lower returns than higher-income workers that make the same investment choices for reasons unrelated to financial market sophistication."

explains, a one percent annual average charge on funds in such an account consumes, over a 40-year work career, 20 percent of the funds in the account.²⁴ Based on the most recent financial data on mutual funds, a one percent annual charge is a conservative

²⁴ Diamond explains that with a one-percent annual charge on holdings in accounts, a dollar deposited in an individual account in the first year of a 40-year work career will be subject to the one percent fee 40 times, while a dollar deposited in the final year before retirement will be subject to the fee once. On average, dollars in the account will be subject to the one percent annual charge 20 times, so approximately 20 percent of the amounts deposited or earned by the account will be consumed by these charges. Diamond also notes that in Chile, costs consume approximately 20 percent of the amounts in individual accounts, with the percentage being *higher* in Great Britain and Argentina.

which to purchase an annuity. Many people do not have sufficient investment expertise to make the wisest choices in purchasing annuities.)

In addition, prices for annuities are generally raised to cover the company's risk of incurring added costs due to "adverse selection." Adverse selection refers to the probability that people with longer-than-average life expectancies will be more likely to purchase lifetime annuities than people with shorter-than-average life expectancies. Insurance companies cover themselves for the costs of paying lifetime annuities to people who may live to very old ages. The resulting increase in the price of annuities has been estimated to reduce the value of retirement savings being converted to an annuity by an additional 10 percent.

Totaling all of these costs and charges, Henry Aaron concludes that the administrative and management costs *plus* the costs of converting funds in these accounts to annuities would consume *between 30 percent and 50 percent* of the amounts saved in IRA-type or 401(k)-type individual accounts. These are very large amounts and indicate why analyses of plans that include individual accounts need to reflect estimates of these costs in their computations. (Estimates of rates of return from individual accounts issued by privatization proponents such as the Heritage Foundation tend to ignore such costs and are not valid as a result.)

Costs Under the Thrift Savings Plan Model

Diamond also has examined likely administrative costs for individual accounts modeled on the Thrift Savings Plan. The individual accounts the NCRP plan would create are based on this model. The costs for this type of account would be considerably lower but would still be significant. Diamond estimates that the costs of administering this type of account would consume approximately 7.5 percent of the funds in an average worker's account (as distinguished from the 20 percent cost Diamond and Aaron estimate for plans with IRA or 401(k) type accounts), reducing the retirement benefits these accounts would pay by that percentage.²⁸ Under the NCRP

²⁸ Administrative costs for TSP equaled approximately \$20 per participant in 1997, which equaled about 3.75 percent of what would be the average worker's deposit into a private account under the NCRP plan. As Aaron, Diamond, and former Thrift Savings Plan head Francis Cavanaugh have testified, using this model for the accounts of 140 million to 150 million workers employed by millions of employers would entail significantly higher costs in percentage terms than the cost of operating the Thrift Savings Plan for employees of a single employer, the U.S. Government. The TSP's economies-of-scale would not be available due to the existence of millions of separate employers. In addition, many costs associated with operating the Thrift Savings Plan are borne by the federal agencies in their role as employer rather than by TSP itself (e.g., responding to employees' questions); such costs would almost certainly not be imposed upon private employers under an individual accounts plan based on the TSP model. These costs would have to be borne by the entity operating the accounts system and defrayed through charges on the accounts. In addition, federal agencies transmit the relevant data to TSP electronically, while many private employers submit data on paper; that would further increase the costs for the entity administering the accounts (as well as the risk of errors in maintaining accounts

(continued...)

the savings left in the account over the years expected to remain in the individual's life. If an individual with a modest account lived to a very old age, the withdrawals could eventually become very small. This stands in contrast to Social Security benefits, which do not decline in amount as an individual grows older but rather increase to keep pace with inflation.

(There also is some question as to the feasibility of using the Thrift Savings Plan model for a system of 140 million or 150 million individual accounts held by workers of millions of employers. Francis X. Cavanaugh, the former head of the Thrift Savings Plan and a former Reagan Administration Treasury official, recently testified that managing such a system would require 10,000 highly trained federal employees and stated that in his view, "... it would be impossible to establish cost-effective TSP-type PSAs [personal savings accounts] for the Social Security system."²⁹)

Conclusion

The CRS study provides a useful analysis of the effects of the three plans on the defined benefits that Social Security provides. The data in the study demonstrate that plans that reduce or divert Social Security payroll tax revenue from the trust fund to individual accounts entail deeper reductions in Social Security benefits than plans that do not reduce trust fund revenue. The data also illustrate the fact that plans that invest a portion of Social Security trust fund assets in equities can restore Social Security to long-term balance with smaller Social Security benefit reductions than other plans because such an approach boosts trust fund revenues.

Subsequent studies should attempt to incorporate the effects of the individual accounts that various plans establish on the income that retired workers would receive. Such analyses will need to take into account the average amounts the individual accounts are projected to earn, the risk that account-holders would face and the wide variation in retirement income that consequently could result, and the costs and fees that would affect the benefit payments these accounts can make.

²⁹ "Statement of Francis X. Cavanaugh before the Subcommittee on Social Security of the House Ways and Means Committee, June 18, 1998.

Elderly Poverty Rate in U.S. Before and After Receipt of Social Security, 1996

Poverty rate before benefits	50.1%
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Poverty rate after benefits	12.3%
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Source: Census Data

Elderly Lifted out of Poverty by Social Security as Percentage of All Elderly Lifted Out of Poverty by Safety Net Programs, 1996

	Number (millions)	As Percentage of All Elderly Who Are Lifted Out of Poverty
Elderly lifted out of poverty by:		
Social Security	11.7	89.3%
Other social insurance	0.4	3.1%
Means-tested cash	0.5	3.7%
Means-tested non-cash	0.5	3.8%
All safety net programs	13.0	100.0%

People Lifted out of Poverty by Safety Net Programs, by Age, 1996

	All Persons (millions)
Number poor lifted out of poverty by:	
Social insurance (primarily Social Security)	17.9
Means-tested cash programs	3.0
Means-tested non-cash programs	4.3
Federal taxes and the EITC	1.7
All safety net programs	27.0

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OWL PRESS RELEASE

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OWL Declares Private Accounts Disastrous for Most Women

**For Immediate Release
December 2, 1998**

**Contact: Deborah Briceland-Betts
202-783-6686**

"Private retirement accounts are a prime example of why every effort to change the current system must be measured by its impact on women. Reforming Social Security by establishing private accounts would be disastrous for most women," Deborah Briceland-Betts, OWL's Executive Director said at a press conference of national women's organizations today.

"Private accounts would decimate that system by undermining the redistributive effect of the program. Women cannot afford to lose a known benefit, with its guarantee of a progressive formula, and annual increases tied to inflation," she said.

Although a higher percentage of working-age women hold jobs than when Social Security was first established (60 percent today versus 28 percent in 1940) women's careers continue to be different. Women still average 11.5 years away from the workforce for caregiving of small children or elderly parents. And because they remain the primary caregivers, women are also more likely to hold part-time jobs. Those who work full time still earn only 74 percent of what men earn for same or similar work.

A system of private retirement accounts would continue these differences into retirement. Her lower earnings and fewer years in the labor force would mean that her contributions to a private account, on average, would produce very low benefits.

Women live an average of six years longer than men. Women know that their longer lives mean that their benefits must last longer, and as a result, tend to be more cautious investors than men, and their already small, safe investments would lead to even smaller returns. Investment accounts would also hurt those women who live paycheck to paycheck and cannot save, or must spend their small savings before retirement, often for long term care for a spouse or education for a child. It would also hurt those who, simply, live too long and outlive their annuitized individual accounts.

Finally, private accounts would cost our nation trillions of dollars. A new, much more costly administrative structure would have to be established; and, as funds are paid out to individuals instead of into the Trust Fund, benefits for current retirees would still have to be paid. The only way those costs could be covered would be through increased taxes, lower benefits—and/or a huge increase in the deficit, which most likely resulting in the demise of other components of our nation's social insurance program, such as Medicare.

"We welcome these efforts to explore ideas for ensuring Social Security's solvency for future generations, because it is a program that has worked for women. We know, therefore, that if proposed options do not work for America's women, they will not work for anyone. The reverse is not true," said Briceland-Betts.

OWL, the voice of midlife and older women, is the only national membership organization with a mission to address issues unique to women as they age. OWL has 15,000 members and 75 chapters nationwide.

N E W S R E L E A S E

FOR IMMEDIATE RELEASE
December 2, 1998

Contact: Lisa Cain or Kris Maccubbin
202/785-7729 or 7723



**AAUW CHALLENGES CONGRESS
TO PROTECT WOMEN IN SOCIAL SECURITY REFORM**
Statement by Nancy Zirkin, Director of Government Relations, AAUW

For more than a century, the American Association of University Women (AAUW) has promoted equity in the workplace, education, and in all aspects of women's lives. AAUW has long been committed to a Social Security program that improves the social status and economic security of the elderly. As Congress considers proposals to reform the current Social Security system, the economic well being and security of women must be safeguarded.

Fact: women are more dependent on Social Security than men. Women earn less than men, making only 74 cents for every dollar a man earns. That adds up to an average of \$250,000 over a lifetime—a quarter of a million dollars that women have not had the opportunity to save or invest for retirement. Add to that the fact that women spend more time out of the paid work force to raise families and the fact that women live longer than men, and you have a recipe for disaster if Social Security reform doesn't protect women.

Fact: women need guaranteed benefits that they can count on. In 1997, the poverty rate for elderly women was 13 percent. Without Social Security benefits, it would have been 52 percent. The poverty rate among elderly men is much lower at 7 percent. For many older women, Social Security is their only source of income.

AAUW challenges Congress to make sure that any Social Security reform increases the stability and security of elderly women with some very simple protections. Congress must preserve the full cost of living adjustments to protect against inflation. This provision is particularly important to women because they live longer, rely more on Social Security, and lack other sources of income.

Congress must maintain a progressive benefit formula. Women and others who earn low wages over their lifetime must continue to be compensated with a larger share of their past earnings to protect them from poverty.

Congress must preserve spousal benefits to protect women. Sixty-three percent of women on Social Security receive benefits based on their husbands' earnings, while only 1.2 percent of men receive benefits based on their wives' earnings.

And Congress must protect the benefits that go to children and widows in the event of a premature death or disability of a working parent or spouse. We must protect women as they grow older. It's the least we can do.

-30-

NATIONAL COUNCIL OF WOMEN'S ORGANIZATIONS

Formerly known as the Council of Presidents
c/o National Committee on Pay Equity
1126 16th Street, NW ■ Washington, DC 20036 ■ (202) 331-7343 ■ (202) 331-7406

EMBARGOED UNTIL:

11:30 a.m., Wednesday
December 2, 1998

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WOMEN'S ORGANIZATIONS URGE PRESIDENT, CONGRESS TO **"KEEP THE HEART IN SOCIAL SECURITY"**

Diverse Coalition Issues Checklist on Women and Social Security Reform

"All proposals to address the future solvency of the Social Security Trust Fund *must* be viewed through the eyes of women and assessed for their impact on women, the majority of Social Security recipients" according to a statement from the National Council of Women's Organizations, released today at a press conference in Washington, D.C.

In the statement, the National Council of Women's Organizations, which is comprised of women leaders from over 100 organizations and represents more than six million women, called on the President and Congress to keep the heart in Social Security by strengthening and preserving the valuable protections for women under the Social Security system.

"Social Security is women's security," said Susan Bianchi-Sand, Chair of the National Council of Women's Organizations and Executive Director of the National Committee on Pay Equity. "We want to ensure that any proposal that compromises these protections is off the table and that women are at the table when decisions about reform are made."

In order to "Keep the Heart in Social Security" any reform proposal should:

- ▶ continue to help those with lower lifetime earnings, who are disproportionately women;
- ▶ maintain full cost of living adjustments;

- ▶ protect and strengthen benefits for wives, widows, and divorced women;
- ▶ preserve disability and survivor benefits;
- ▶ protect the most disadvantaged workers from 'across the board' benefit cuts;
- ▶ ensure that women's guaranteed benefits are not reduced by individual account plans that are subject to the uncertainties of the stock market;
- ▶ address the care-giving and labor force experiences of women; and
- ▶ further reduce the number of elderly women living in poverty.

According to National Council of Women's Organizations statement, "Proposals to divert workers' current payments from the Social Security system into individually-held, private accounts, whose returns would be dependent on volatile investment markets and would not be guaranteed to keep pace with inflation nor provide spousal benefits (including benefits to widows and divorced women), would reduce the retirement income of many women."

Other speakers at the press conference included: Deborah Briceland-Betts, Executive Director, Older Women's League; Heidi Hartmann, Director, Institute for Women's Policy Research; Liz Kramer, Policy Associate, 2030 Center; Eleanor Smeal, President, Feminist Majority; Gail Shaffer, Chief Executive Officer, Business and Professional Women, BPW/USA; Jane Smith, President, National Council of Negro Women; Nancy Ibarra, a 47-year-old widow; Clarissa Cummins, a 90-year-old retiree; and Sandra Yates, a 40-year-old single-parent.

The National Council of Women's Organizations is a non-partisan network comprised of the leaders of over 100 women's organizations, which together represent more than six million women. Organizational members focus primarily on illuminating and promoting public policies that address women's needs.

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For a copy of the statement and the *Women's Checklist on Social Security Reform*, contact the Institute for Women's Policy Research (IWPR) at 202/785-5100 or visit their website at <http://www.iwpr.org>.

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Women and Social Security - Statement and Checklist

KEEP THE HEART IN SOCIAL SECURITY

Social Security is a woman's issue. Since its inception in 1935, Social Security has often been the only income source keeping women from living out their days in poverty. Today while women's lives have changed, they are still over-represented in the lowest wage jobs and earn only 74 percent of what men earn. Women leave the labor force for an average of 15 percent of their working careers, primarily to fulfill responsibilities as caregivers to their children, spouses, or elderly family members. And, in addition, they live an average of seven years longer than their male counterparts.

Social Security has worked for women because it is a program where every worker pays in, and every retired worker receives a benefit she can count on every month for her entire life, with the added comfort of knowing that benefit will be increased regularly to meet inflation.

Women also greatly benefit because lower earning workers receive a larger proportion of their earnings in benefits than those who earn more. In addition, many women also receive spousal and survivor benefits based on their husband's (or former husband's) earnings record. These benefits protect many retired wives, widows, and divorced women from poverty. Retired workers' minor children also receive benefits.

The Social Security system also provides life and disability insurance that protects workers and their families. Disabled workers receive benefits and children (and the parent who takes care of them) receive benefits when a working parent dies prematurely or becomes disabled before retirement. Two out of five of today's 20 year olds will face premature death or disability before reaching retirement age.

Proposals to divert workers' current payments from the Social Security system into individually-held, private accounts would significantly damage women's retirement income. The returns on individual accounts would be dependent on the risks of volatile investment markets and would not be guaranteed to keep pace with inflation nor provide spousal benefits, widow's benefits or benefits for divorced spouses—all of which are special features of the current Social Security system. Since Social Security provides the core of women's retirement income, without the guarantees of a shared insurance pool, cost-of-living increases, and spousal and lifetime benefits, many women could easily outlive their assets.

We believe that women must play a significant role in shaping Social Security for future generations. All proposals to address the future solvency of the Social Security Trust Fund must be viewed through the eyes of women and assessed for their impact on women, the majority of Social Security recipients. Remaining inadequacies for women in the current system also must be addressed. If we strengthen the Social Security system so that it works well for women, we will have a system that works well for all Americans.

WOMEN'S CHECKLIST ON SOCIAL SECURITY REFORM

KEEP THE HEART IN SOCIAL SECURITY

Social Security is the heart of our nation's social insurance program, providing universal coverage for workers and their families through the pooling of resources that guarantees benefits to all. Check each reform proposal to see if it meets the women's check test.

DOES THE REFORM PROPOSAL . . .



CONTINUE TO HELP THOSE WITH LOWER LIFE-TIME EARNINGS, WHO ARE DISPROPORTIONATELY WOMEN?

Social Security's benefit formula is structured so that the lowest paid workers receive benefits that replace a higher proportion of their pre-retirement earnings than higher-wage workers. Many of the lowest paid workers also have no pensions from their jobs. Any reform must retain this feature benefitting lower-paid workers.



MAINTAIN FULL COST OF LIVING ADJUSTMENTS?

Social Security's annual cost-of-living increase (COLA), which is indexed to inflation, is a crucial protection against the erosion of benefits. Because women live longer than men, on average, and rely more on Social Security since they often lack other sources of retirement income, this provision is particularly important to women. Even when employment-based pension income is available, it is rarely inflation-protected.



PROTECT AND STRENGTHEN BENEFITS FOR WIVES, WIDOWS, AND DIVORCED WOMEN?

Social Security's family protection provisions help women the most. Social Security provides guaranteed, inflation-protected, life-time benefits for the wives of retired workers, widows, and many divorced women, many of whom did not work enough at high enough wages to earn adequate benefits on their own accounts. (Similarly low-earning men married to higher-earning women also have these protections; however, while 63 percent of female Social Security beneficiaries aged 65 and over receive benefits based on their husbands' earning records, only 1.2 percent of male Social Security beneficiaries aged 65 and over receive benefits based on their wives' earning records.)



PRESERVE DISABILITY AND SURVIVOR BENEFITS?

Social Security provides benefits to 3 million children and the remaining care-taking parent in the event of the premature death or disability of either working parent. Spouses of disabled workers and the widows (or widowers) of workers who died prematurely also receive guaranteed life-time retirement benefits. Two out of five of today's 20 year olds will face premature death or disability before reaching retirement age.



PROTECT THE MOST DISADVANTAGED WORKERS FROM "ACROSS-THE-BOARD" BENEFIT CUTS?

Some proposed "across-the-board" benefit cuts such as raising the retirement age or the

number of years of work history used in calculating benefits would disproportionately hurt those with the most physically demanding or stressful jobs who cannot work more years, as well as those who have low life-time earnings, including many women (because they move in and out of the labor force to provide family care), minorities, temporary, seasonal and part-time workers, agricultural workers, and the chronically under and unemployed. These workers are also unlikely to have other employer-provided retirement benefits.



ENSURE THAT WOMEN'S GUARANTEED BENEFITS ARE NOT REDUCED BY INDIVIDUAL ACCOUNT PLANS THAT ARE SUBJECT TO THE UNCERTAINTIES OF THE STOCK MARKET?

Proposals to divert workers' current payments from the Social Security system into individually-held, private accounts, whose returns would be dependent on volatile investment markets and would not be guaranteed to keep pace with inflation nor provide spousal benefits (including benefits to widows and divorced women), would reduce the retirement income of many women. Without the guarantees of a shared insurance pool, cost-of-living increases, and spousal and lifetime benefits, many women could easily outlive their assets.



ADDRESS THE CARE-GIVING AND LABOR FORCE EXPERIENCES OF WOMEN?

The Social Security system is based on marriage and work patterns that have changed. Currently, the benefit formula, which generally helps those with low life-time earnings, also favors those with 35 years of labor force participation, years which many women lack because of family care-giving. Moreover, the effects of sex-based wage discrimination during their working years are not fully offset by the more generous treatment low earners receive. Such issues as divorce, taking time out of the workforce for caregiving, the differences in current benefits between one and two-earner couples, and the inadequacies in benefits for surviving spouses must be considered at the same time that solutions to strengthening the financial soundness of the system are being sought.



FURTHER REDUCE THE NUMBER OF ELDERLY WOMEN LIVING IN POVERTY?

Social Security has helped reduce poverty rates for the elderly, from 35 percent in 1959 to less than 11 percent in 1996. In 1995, the poverty rate for all women over the age of 65 was 13.6 percent while the poverty rate among women aged 65 or older who lived alone was 23.6 percent. Without Social Security, the poverty rate for women over 65 would have been an astonishing 52.9 percent. Nevertheless unmarried women still suffer disproportionately; single, divorced, and widowed women aged 65 or older have a poverty rate of 22 percent, compared with 15 percent for unmarried men and 5 percent for women and men in married couples.

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Statement of Susan Bianchi-Sand, Chair NATIONAL COUNCIL OF WOMEN'S ORGANIZATIONS

SOCIAL SECURITY PRESS CONFERENCE December 2, 1998

Welcome. Thank you for coming.

I am Susan Bianchi-Sand, Chair of the National Council of Women's Organizations (NCWO).

The NCWO is a coalition of over 100 leaders from organizations dedicated to advancing equity for women and girls. The Council membership groups reach more than 6 million women.

The face of Social Security has a uniquely woman's profile. Women's financial circumstances and economic vulnerabilities are facts that make any discussion of Social Security reform a critical issue for the National Council.

Women earn less and live longer than men. Women and their families rely on social security as a major portion of fundamental retirement security; and when disability benefits are necessary, it help bring some normalcy to their lives.

With this press conference, the NCWO is launching a year-long organizing and educational campaign to "Keep the Heart in Social Security." We will develop coordinated fact sheets, educational materials, lobby days, town meetings and video tapes to reach our constituents and our communities.

Leaders will meet with members of Congress and agency officials. Last week we met with Gene Sperling in the White House.

Social Security will be our number one policy issue for 1999. This effort will be headed by Heidi Hartmann, President of the Institute for Women's Policy Research. Her task force includes women leaders and organizations who have been active on this issue for years.

Our concerns include not only the adequacy but the equity of Social Security.

A unified position paper following the guidelines and principles described on the visual will be developed and circulated to all parties.

Reform must:

- Continue to help those with lower lifetime earnings;
- Maintain full cost of living adjustments;

A bipartisan network of leaders from over 100 organizations representing more than six million women.

NO. 375 P009/013

**Embargoed until:
11:30am Wednesday, December 2**

Women's Checklist on Social Security Reform

KEEP THE HEART IN SOCIAL SECURITY

Does the Reform Proposal . . .



Continue to help those with lower lifetime earnings, who are disproportionately women?



Maintain full cost of living adjustments?



Protect and strengthen benefits for wives, widows and divorced women?



Preserve disability and survivor benefits?



Protect the most disadvantaged women from 'across the board' benefit cuts?



Ensure that women's guaranteed benefits are not reduced by individual account plans that are subject to the uncertainties of the stock market?



Address the care giving and labor force experiences of women?

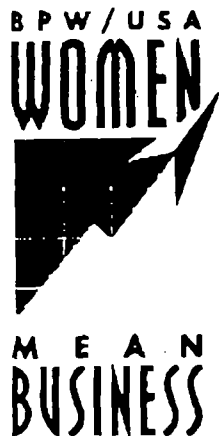


Further reduce the number of elderly women living in poverty?

Contact: Communications Officer

202-293-1100

Fax: 202.861.0298



Business and Professional Women/USA

2012 Massachusetts Ave NW
Washington, DC 20036
202.293.1100
Fax: 202.861.0298

FACT SHEET

BPW/USA

Business and Professional Women/USA, founded in 1919, promotes equity for all women in the workplace through advocacy, education and information. With 70,000 members in more than 2,000 local organizations represented in every congressional district in the country, BPW/USA includes among its members women and men of every age, race, religion, political party and socio-economic background.

BPW/USA monitors federal legislation that affects working women and educates its members to become involved in public policy development in their own workplaces, and at the local, state and federal government levels. As among the first of the women's organizations to endorse the Equal Rights Amendment in 1937, BPW/USA has been a leader in passing key legislation effecting working women including:

- The Women's Business Ownership Act
- Violence Against Women Act of 1994
- The Civil Rights Act of 1964
- Title IX of the Civil Rights Act 1964
- Equal Pay Act of 1963
- The Retirement Equity Act of 1984
- Family and Medical Leave Act of 1993

Legislative Platform

BPW/USA annually releases its national legislation platform, which includes planks that call for:

Economic Equity

Ensure pay equity, equal educational and economic opportunities at all stages of life; and promote affordable, quality dependent care to help ensure economic self-sufficiency for women.

Health

Ensure reproductive choice and full access to all reproductive health services and education; ensure funds for research into and protections for women's health care needs; and encourage the development of a national health care plan recognizing the special health care needs of women.

Civil Rights

Ensure equal rights and remedies for women in all phases of their lives; support affirmative action; eliminate sexual harassment and violence against women.

BPW's political action committee, the **BPW/PAC**, provides contributions and endorsements to women and pro-women candidates who support BPW's legislative priorities.

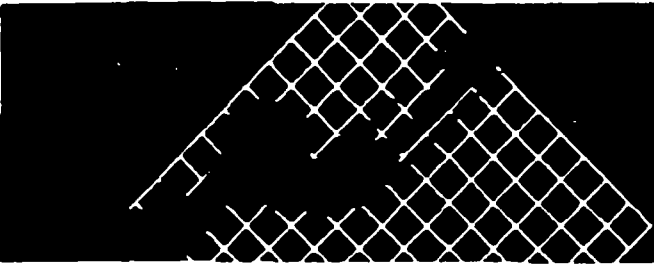
The BPW Foundation

BPW's Foundation collects, conducts and analyzes research on issues affecting women in the workplace while providing financial assistance for women to further their education. The Foundation, which has awarded over \$5 million in scholarships, loans and grants to almost 8,000 women, raises money to educate women who need additional skills to advance in their careers or re-enter the workforce. The Foundation's Marguerite Rawalt Resource Center, one of the nation's first and most comprehensive libraries dedicated to working women's issues, serves as a reference source of information for members and over 200 other libraries across the country.

Events

National Business Women's Week, October 19-23, 1998
BPW Foundation Academic Symposium, Nov. 6-7, 1998, Boston, MA
Policy & Action Conference, Feb. 4-7, 1998, Washington, D.C.
Women Mean Business Awards, Feb. 5, 1998, Washington, D.C.
1999 Annual Conference, July 15-22, Rochester, NY

The
Leading
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Women



News Release

STATEMENT OF HEIDI HARTMANN

President and Director

Institute for Women's Policy Research

Chair, Working Group on Social Security

National Council of Women's Organizations

Today the National Council of Women's Organizations launches its campaign to "Keep the HEART in Social Security." Social Security *has* a heart--it is our society's way of caring for each other financially. Women have given their hearts to their families and their country, and Social Security, which provides guaranteed, life time retirement benefits is one way our country gives something back to women. Because women live longer than men, women are the majority of Social Security recipients--60 percent overall, and the vast majority of the oldest recipients, 72 percent of those over 85. For many retired women, more than half of non-married women, for example, Social Security is their primary means of support. Thus, Social Security *is* a women's issue.

Today we want to emphasize three central themes.

First, there are many protections for women in the current Social Security system. Our campaign will educate our members, members of the public, and members of the Congress about these benefits for women: among them, higher relative benefits for lower earners and, for women whose own benefits as workers would be small, benefits as the wives, widows, and divorced wives of retired or deceased working men. And the protections for the minor children of disabled and deceased workers are very important to all parents, especially mothers who are most often the remaining caretaker of the children.

Second, every reform proposal that is considered must be evaluated in terms of its impact on women. Since women and men have different life experiences and different work experiences, virtually *any* public policy affects women differently than it affects men. Social Security is no exception. As much as Social Security has done to reduce poverty among older women, it still doesn't do enough. Older women are still much more likely to be poor than older men (13 percent poor for women vs. 7 percent poor for men). We'd like to see improvement in the economic status of older women, and we will be looking at every proposed reform to see if it brings that improvement to older women's lives.

Third, because Social Security is such an important issue for women and because any proposed reform will affect women differently than it does men, we insist that women leaders have a seat at the table when decisions about reform are made. Because of their different life experiences, women have different attitudes towards reform--for example, women are more averse to risky private investments and more willing to pay higher taxes to improve the financial soundness of the system. Among women, 73 percent opposed privatization in a September NBC poll compared to 58 percent of men, while 67 percent of women vs. 58 percent of men said they'd rather pay higher taxes than cut benefits in an October 1997 poll by the Americans Savings Education Council. Therefore women's views on appropriate reform must be heard. Still underrepresented in Congress, we call upon the President and the Congress to make sure women leaders are involved in the decision making.



FEMINIST MAJORITY

Working for Women's Equality

Eleanor Smeal
President

Peg Yorkin
Chair of the Board

Katherine Spillar
National Coordinator

FOR IMMEDIATE RELEASE
December 2, 1998

CONTACT: Harriet Trudell
Justine Andronici
(703)522-2214

WOMEN MUST BE AT CENTER STAGE IN SOCIAL SECURITY DEBATE

**Feminist Majority Opposes Reforms that Disadvantage Women,
Urges Improvements in Treatment of Women**

■ Washington D.C. Office
1600 Wilson Boulevard
Suite 801
Arlington, VA 22209
703 522 2214
703 522 2219 fx

□ West Coast Office
8105 West Third Street
Los Angeles, CA 90048
213 651 0495
213 653 2689 fx

Web Site:
<http://www.feminist.org>

E-mail:
femmaj@feminist.org

WASHINGTON, D.C. -- Joining with other leaders of the National Council of Women's Organizations, Feminist Majority President Eleanor Smeal called upon the Clinton Administration and Congress to move women and women's issues to the center stage of the social security debate.

"Women cannot be a side issue in the social security debate. Women are the main issue. Our concerns must be at center stage. The majority of social security recipients are women. Social security is the major source of retirement income for the majority of women. Women's advocacy organizations, experts on women and social security, and feminist think tanks must be well-represented at the table as reforms and the future of the social security system are debated," stated Smeal.

In addition to women's advocates being at the table, Smeal urged the consideration of improvements to the social security system which would strengthen the system for women and eliminate inequities. "As absolutely crucial as the social security system is to women's economic security, the system is based on demographics of marriage and work patterns which have changed. As a result, there is a substantial benefit gap between male and female social security recipients. Retired women workers receive an average of \$621 in monthly benefits compared with retired men workers who receive an average of \$810 per month.

"Women are penalized for their traditional care-taking roles. For example, leaving the labor force to provide care to children or elderly parents dramatically lowers women's lifetime average earnings and, in turn, their social security benefit payouts. And women are penalized as wage earners. Social Security taxes lower income workers, who are disproportionately women, at a higher average rate because the tax is levied currently on only the first \$68,400 of income. Moreover, wage discrimination against women in the labor market not only keeps most women as lower income earners, but also results in lower social security benefits," said Smeal.

Smeal continued, "In adopting reforms, every reform must be assessed for its impact on women. For example, increasing the number of work years used as a base for the calculation of benefits from 35 to 38 disadvantages women who take time out of the workforce to take care of family members. We must use this opportunity of reforming social security to strengthen it for women." Among the possible reforms which Smeal said merited consideration to improve the treatment of women were:

- Establishing earning sharing allocating 50% of both spouses' earnings to each spouse so that each individual pays into the social security system and collects benefits in her or his own right.
- Crediting, rather than penalizing, individuals providing child care or elderly care for their families.
- Changing distribution of spousal and primary earner benefit to 75% of total benefit for spouse and 75% of total benefit for primary earner. Currently, the primary earner receives 100% and the spouse 50%.
- Raising the cap on social security taxes in order to remove the additional tax burden on secondary wage earners.

For more information or to schedule interviews, contact Justine Andronici or Harriet Trudell at 703-522-2214.

THE WHITE HOUSE

OFFICE OF LEGISLATIVE AFFAIRS

HOUSE LIAISON
-FAX COVER SHEET-

DATE:

7/1/87

TO:

Jer Klein

FAX:

62878

FROM:

☒ CHUCK BRAIN
☐ AL MALDON
☐ DARIO GOMEZ

☐ BRODERICK JOHNSON
☐ ELISA MILLSAP
☐ PETER GREENBERGER

(202)456-6620 (TELEPHONE)

(202)456-2604 (FAX)

SUBJECT:

As mentioned, FVE

See fol - Chuck

1 OF

40 signatures

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

June 24, 1998

AL SINGLETON, CHIEF OF STAFF

JANICE MAY, MINORITY CHIEF COUNSEL

The Honorable William J. Clinton
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

As you and the Vice President continue your public discussions on the future of Social Security, we urge you to address the issues facing women. Women retiring in the next 20 years will have less than one-third the income necessary to retire comfortably, a situation that is greatly exacerbated for women of color. Several Social Security proposals under consideration would only make this situation worse.

The majority of Social Security recipients are women and yet, so far, the various reform proposals' specific effects on women and their life choices have not been highlighted. We want to make sure American men and women understand these effects as they make choices about their Social Security system.

Too few young women today understand that the job decisions they make when they enter the workforce can have a devastating impact on their lives in retirement. They mistakenly believe that the increased number of women holding better jobs means that their lives will be different. Unfortunately, that is not the case. Three out of five women are still in low-wage jobs that offer few benefits, including pensions, and they work in much greater numbers than men in part-time and contingent jobs. The situation is not expected to change well into the future.

When these women retire, even if they have worked full time and take no time out of the workforce, they will most likely have little retirement income other than a meager Social Security benefit. Most women, however, do take time out of the workforce — 11.5 years on average — to raise their children or care for ailing parents or spouses. During that time, when they are taking responsibility for the well-being of their families, they are receiving no credit in their Social Security accounts, penalizing them further when the amount of their benefits are being computed.

The Honorable William J. Clinton /
Page Two
June 24, 1998

In addition, women live an average of seven years longer than men, and are twice as likely to be living in poverty as men. Widows often become poor for the first time on the day their husbands die. In fact, the fastest growing group in poverty are single women and widows over the age of 65.

Enclosed are three recent studies which demonstrate that women will be significantly impacted by Social Security reform. We commend these studies to your attention.

We believe that, if our national discussion on Social Security is to be truly effective, it must sound a wake-up call to women to play an active role in determining their future. They need to learn how their work and life patterns have affected — and will continue to affect their Social Security benefits in the future. And they need to understand how the effects of various options for change will affect their prospects for a secure retirement. If Social Security does not effectively serve women, it will not effectively serve anyone. We hope you agree that these critical issues serve a prominent place on your agenda, and we will be happy to work with you to make that happen.

Thank you for your consideration.

Sincerely,

Karen Thurman

Don B. Kennelly

Joe Sp

Elizabeth Dine

Karen McCarthy

Ann M. Clayton

The Honorable William J. Clinton
 Page Three
 June 24, 1998

Rosabeth Law Constance Halsey
Alexandra Darsch MA G. Shoo

Alaine Waters Jane Harman

Lynn C. Walkey Nancy Pelosi

Richard H. H. H. H. Marcy Kaptur

Dana DeLotto Anta Lomax

Willie G. G. G. Pat Langer

Loretta Sanchez Carolyn Mc Carthy

The Honorable William J. Clinton

Page Four

June 24, 1998

Carrie P. MunkJames F. Dillard - Jr.Carolyn C. KipatnickLynne L. RiversHanna M. C. GreenLucille Royal-AllardLouise M. HaighterLois CappsEddie Benice JohnsonCorinne BrownJulia CarrShirley Jackson LeeCapt. M. H. KingVydia M. V. H.Barbara LeePaul T. Munk

The Honorable William J. Clinton

Page Five

June 24, 1998

Eleanor H. Norton Ginnie Myrella

3/17/99

Hillary -

Attached is the e-mail that I mentioned yesterday. I have included as well a copy of your response. I have sent copies of the e-mail to Carol Beach, Christy Macy and Laura Schiller.

I am also sending along a postcard that was sent to you and I think you might find amusing.

→ Alice
Alice

Thank you, Alice.

Please send copy to
Nana + Nicole

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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001a. email	Constituent to the First Lady re: To share a personal story (3 pages)	01/26/1999	b(6)
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COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Ann O'Leary
OA/Box Number: 19584

FOLDER TITLE:

Social Security - Women's Issues [1]

2013-0436-S

rc1250

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001b. letter	Hillary Rodham Clinton to Constituent [partial] (1 page)	03/17/1999	b(6)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Ann O'Leary
OA/Box Number: 19584

FOLDER TITLE:

Social Security - Women's Issues [1]

2013-0436-S

rc1250

RESTRICTION CODES

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March 17, 1999

[REDACTED] (b)(6)

[00916]

Dear [REDACTED]

(b)(6)

Thank you for writing and sharing your personal story with me. Your mother's courage and strength in coping with her illness, the deaths of her husband and father, and the demands of being a single parent are an inspiration to all of us. Reading your thoughtful and heartfelt message leads me to conclude that she has proven herself to be an excellent parent.

I would like to congratulate you for the extraordinary efforts you have made to do well in school and to be a loving and caring son. You have set your sights high, and I wish you much success in achieving your goals.

Please extend my best wishes to your mother and tell her I will keep her in my thoughts and prayers. Thank you again for taking the time to write to me.

Sincerely yours,

Hillary Rodham Clinton

NATIONAL COUNCIL OF WOMEN'S ORGANIZATIONS

Susan Bianchi-Sand, Chair

1126 16th Street, NW, Washington, DC 20036

Tel: (202) 331-7343, Fax: (202) 331-7406

The National Council of Women's Organizations is a bipartisan network comprised of the leaders of over 100 women's organizations, which together represent more than 6 million women.

Place
postage
here

Women and Social Security Taskforce Members

Janice Weinman, American Association of University Women
 Nancy Zirkin, American Association of University Women
 Gail Shaffer, Business and Professional Women/USA
 Suzanne Stokes, Business and Professional Women/USA
 Martha Burk, Center for the Advancement of Public Policy
 Jennifer Jackman, Feminist Majority Foundation
 Eleanor Smeal, Feminist Majority Foundation
 Heidi Hartmann, Institute for Women's Policy Research (Chair)
 Shoshana Riemer, NAAMAT USA
 Susan Bianchi-Sand, National Committee on Pay Equity
 Jane Smith, National Council of Negro Women
 Jan Erikson, National Organization for Women
 Nancy Duff Campbell, National Women's Law Center
 Joan Entmacher, National Women's Law Center
 Mai Johnson, National Women's Conference
 Deborah Briceland-Betts, Older Women's League
 Roberta Weiner, Older Women's League
 Donna Allen, Women's Institute for Freedom of the Press
 Cindy Hounsell, Women's Institute for a Secure Retirement

To:

Women's Checklist on Social Security Reform**KEEP THE HEART****IN SOCIAL SECURITY**

Social Security is the heart of our nation's social insurance program, providing universal coverage for workers and their families through the pooling of resources that guarantees benefits to all. Social Security is a woman's issue. Women are 60 percent of Social Security beneficiaries. Social Security has often been the only income source keeping women from living out their days in poverty. Check each reform proposal to see if it meets the women's check test.

Does the Reform Proposal . . .

- ♥ Continue to help those with lower lifetime earnings, who are disproportionately women?
- ♥ Maintain full cost of living adjustments?
- ♥ Protect and strengthen benefits for wives, widows and divorced women?
- ♥ Preserve disability and survivor benefits?
- ♥ Protect the most disadvantaged workers from 'across the board' benefit cuts?
- ♥ Ensure that women's guaranteed benefits are not reduced by individual account plans that are subject to the uncertainties of the stock market?
- ♥ Address the care giving and labor force experiences of women?
- ♥ Further reduce the number of elderly women living in poverty?

WOMEN'S CHECKLIST ON SOCIAL SECURITY REFORM

KEEP THE HEART in social security

Social Security is the heart of our nation's social insurance program, providing universal coverage for workers and their families through the pooling of resources that guarantees benefits to all. Check each reform proposal to see if it meets the women's check test.

DOES THE REFORM PROPOSAL . . .

CONTINUE TO HELP THOSE WITH LOWER LIFE-TIME EARNINGS, WHO ARE DISPROPORTIONATELY WOMEN?

Social Security's benefit formula is structured so that the lowest paid workers receive benefits that replace a higher proportion of their pre-retirement earnings than higher-wage workers. Many of the lowest paid workers also have no pensions from their jobs. Any reform must retain this feature benefitting lower-paid workers.

MAINTAIN FULL COST OF LIVING ADJUSTMENTS?

Social Security's annual cost-of-living increase (COLA), which is indexed to inflation, is a crucial protection against the erosion of benefits. Because women live longer than men, on average, and rely more on Social Security since they often lack other sources of retirement income, this provision is particularly important to women. Even when employment-based pension income is available, it is rarely inflation-protected.

PROTECT AND STRENGTHEN BENEFITS FOR WIVES, WIDOWS, AND DIVORCED WOMEN?

Social Security's family protection provisions help women the most. Social Security provides guaranteed, inflation-protected, life-time benefits for the wives of retired workers, widows, and many divorced women, many of whom did not work enough at high enough wages to earn adequate benefits on their own accounts. (Similarly low-earning men married to higher-earning women also have these protections; however, while 63 percent of female Social Security beneficiaries aged 65 and over receive benefits based on their husbands' earning records, only 1.2 percent of male Social Security beneficiaries aged 65 and over receive benefits based on their wives' earning records.)

PRESERVE DISABILITY AND SURVIVOR BENEFITS?

Social Security provides benefits to 3 million children and the remaining care-taking parent in the event of the premature death or disability of either working parent. Spouses of disabled workers and the widows (or widowers) of workers who died prematurely also receive guaranteed life-time retirement benefits. Two out of five of today's 20 year olds will face premature death or disability before reaching retirement age.

PROTECT THE MOST DISADVANTAGED WORKERS FROM "ACROSS-THE-BOARD" BENEFIT CUTS?

Some proposed "across-the-board" benefit cuts such as raising the retirement age or the number of years of work history used in calculating benefits would disproportionately hurt those with the most physically demanding or stressful jobs who cannot work more years, as well as those who have low life-time earnings, including many women (because they move in and out of the labor force to provide family care), minorities, temporary, seasonal and part-time workers, agricultural workers, and the chronically under and unemployed. These workers are also unlikely to have other employer-provided retirement benefits.

ENSURE THAT WOMEN'S GUARANTEED BENEFITS ARE NOT REDUCED BY INDIVIDUAL ACCOUNT PLANS THAT ARE SUBJECT TO THE UNCERTAINTIES OF THE STOCK MARKET?

Proposals to divert workers' current payments from the Social Security system into individually-held, private accounts, whose returns would be dependent on volatile investment markets and would not be guaranteed to keep pace with inflation nor provide spousal benefits (including benefits to widows and divorced women), would reduce the retirement income of many women. Without the guarantees of a shared insurance pool, cost-of-living increases, and spousal and lifetime benefits, many women could easily outlive their assets.

ADDRESS THE CARE-GIVING AND LABOR FORCE EXPERIENCES OF WOMEN?

The Social Security system is based on marriage and work patterns that have changed. Currently, the benefit formula, which generally helps those with low life-time earnings, also favors those with 35 years of labor force participation, years which many women lack because of family care-giving. Moreover, the effects of sex-based wage discrimination during their working years are not fully offset by the more generous treatment low earners receive. Such issues as divorce, taking time out of the workforce for caregiving, the differences in current benefits between one and two-earner couples, and the inadequacies in benefits for surviving spouses must be considered at the same time that solutions to strengthening the financial soundness of the system are being sought.

FURTHER REDUCE THE NUMBER OF ELDERLY WOMEN LIVING IN POVERTY?

 Social Security has helped reduce poverty rates for the elderly, from 35 percent in 1959 to less than 11 percent in 1996. In 1995, the poverty rate for all women over the age of 65 was 13.6 percent while the poverty rate among women aged 65 or older who lived alone was 23.6 percent. Without Social Security, the poverty rate for women over 65 would have been an astonishing 52.9 percent. Nevertheless unmarried women still suffer disproportionately; single, divorced, and widowed women aged 65 or older have a poverty rate of 22 percent, compared with 15 percent for unmarried men and 5 percent for women and men in married couples.

December 4, 1998

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: **Nicole Rabner**
Jennifer Klein

SUBJECT: **Social Security**

We have been working with the NEC on your participation in next week's White House Conference on Social Security, particularly your role in convening the second panel of the Conference. That panel, entitled "The Challenges of Social Security Reform: Impact of Reform on Different Segments of the Population," plays an important role in the overall conference in addressing what is at stake for women, minorities, older Americans, and young people in reforming Social Security. The NEC has selected four panelists to represent each of those perspectives (panelists listed in Conference schedule enclosed). You will make opening remarks, setting the tone for the panel discussion, and turn to a moderator who will call on the four panelists and facilitate the Q&A with the audience.

This week, we had a very good briefing from Bob Greenstein and his staff at the on the substance, politics, and land mines in the Social Security reform debate. We have enclosed some materials that Bob shared with us to supplement the briefing book that the NEC forwarded to you over Thanksgiving. On Monday, you will receive a full briefing book for the Conference.

Rough Outline of HRC Remarks

Why we're here at the Conference

The President has been convening discussions around the country to engage the public and our leaders in a discussion about social security, about the projected need to reform and the need to reform carefully and thoughtfully. Social Security is a crown jewel in our government for many reasons. . . (see POTUS remarks). The President has outlined principles against which we must measure reform proposals. . . This Conference is designed to further engage in this discussion. . . Thank the many experts in the room, and those joining by satellite in all 50 states.

Why we're here in this panel; what we're going to hear about

I'm particularly pleased to convene this important panel -- to consider the impact of reform on different segments of the population. Talk about how Social Security is so important (see old POTUS remarks and particularly stress the importance for women). Set up panel with a line about why social security is so important for each perspective represented: we'll hear about women; about minorities; about older Americans; and young Americans.

Commitment to work on issue -- I look forward to participating next month in a national satellite conference sponsored by *Americas Discuss Social Security* to tackle issues of Women and Retirement. Look forward to working on this critical issue in the weeks and months ahead and to hearing from this panel and the audience in the discussion to follow.

Turn program over to Moderator TBD.

Date: 12/07/98 Time: 16:17

bCenter Warns Individual Account Proposals Threaten Social Security

To: National Desk

Contact: Shauna Helton of the National Women's Law Center,
202-588-5180

WASHINGTON, Dec. 7 /U.S. Newswire/ -- On the eve of the White House Conference on Social Security, National Women's Law Center Co-President Nancy Duff Campbell warned that proposals to replace Social Security in whole or part with individual accounts threaten essential protections for women and their families. Campbell, an expert on Social Security who co-authored a study of earnings sharing in Social Security a decade ago, said that it was unfortunate that the debate over Social Security reform seems to be focused on moving to a system of individual accounts, which pose inherent risks for women.

"Women still earn less than men and are more likely to take time out of the workforce to care for children and other family members," said Campbell. "Social Security provides benefits to low-wage workers that are a higher percentage of their lifetime earnings, and guarantees benefits to spouses, divorced spouses, and surviving spouses. It is hard to see how a system of individual accounts would provide these important protections for women." Campbell also noted that women, who are more likely than men to live past 85, would be especially hard pressed to obtain through individual accounts the lifetime protection that Social Security provides. "With Social Security, women don't have to worry that they will outlive their savings, or lose ground to inflation. Private annuities are costly; few are indexed for inflation; and most private annuities base monthly payments on gender, so that women have less to live on for the same investment."

Also, Campbell emphasized, "Social Security is more than a retirement program. Nearly 4 million children receive Social Security survivors or disability benefits -- and 98 percent of the parents who receive benefits for caring for them are women. The savings in individual accounts will not protect families that must cope with a wage earner's disability or early death."

Campbell praised the White House for providing an opportunity for representatives of many different communities to discuss Social Security issues with policymakers in the Administration and White House. She said she hopes the conference will shift the public debate toward the real issues: how to strengthen Social Security by reforms that ensure adequate benefits for future generations and improve the economic security of women and their families.

The National Women's Law Center is a non-profit organization that has been working since 1972 to advance and protect women's legal rights. The Center focuses on major policy areas of importance to women and their families, including economic security, employment, education, and health, with special attention given to the concerns of low-income women.

-0-

/U.S. Newswire 202-347-2770/

APNP-12-07-98 1630EST

SCHEDULE AND PARTICIPANTS FOR WHITE HOUSE CONFERENCE ON SOCIAL SECURITY

All times are tentative.

DECEMBER 8, 1998

Location: Marriott Wardman Park Hotel

**10:00-11:00: OPENING SESSION WITH PRESIDENT CLINTON, VICE
PRESIDENT GORE, AND MEMBERS OF CONGRESS. (Open Press)**

**11:00-11:45: PANEL --THE CHALLENGES OF SOCIAL SECURITY
REFORM: WHY WE NEED TO ACT NOW, THE BUDGET SURPLUS, AND
SOCIAL SECURITY REFORM (Open Press)**

- Presenters:
Marilyn Moon --Urban Institute
Rudy Penner --Former Director of CBO

11:45-1:00: LUNCH BREAK.

**1:00-1:45: PANEL --THE CHALLENGES OF SOCIAL SECURITY
REFORM: IMPACT OF REFORM ON DIFFERENT SEGMENTS OF THE
POPULATION (Open Press)**

- Presenters:
Alicia Munnell --Boston College (Women's Perspective)
*Carol Cox Wait --Committee for a Responsible Federal
Budget (Older Americans Prespective)*
*Kilolo Kijakazi --Center on Budget and Policy Priorities
(Minorities Perspective)*
Richard Thau --Third Millennium (Young people Perspective)

1:45-3:15: PANEL --THE CHALLENGES OF SOCIAL SECURITY REFORM: PRIVATE MARKET OPTIONS. (Open Press)

- Presenters:
Henry Aaron --Brookings Institution
Carolyn Weaver --American Enterprise Institute
Bob Ball --Former SSA Commissioner
Jose Pinera --CATO
Gene Steuerle --Urban Institute

3:30-5:00: OFF-THE-RECORD BREAKOUT SESSIONS TO PROVIDE CONFERENCE PARTICIPANTS THE OPPORTUNITY TO SPEAK DIRECTLY WITH KEY ADMINISTRATION OFFICIALS AND MEMBERS OF CONGRESS. (Closed Press)

DECEMBER 9, 1998

Location: The White House

9:00-12:15: TWO WORKSHOPS TO EDUCATE KEY ADMINISTRATION OFFICIALS AND MEMBERS OF CONGRESS ON THE IMPORTANT ISSUES IN SOCIAL SECURITY REFORM. (Closed Press)

- Presenters:

Workshop on Scope of Problem and Traditional Reform Options: Ken Kies (Former Staff Director of Joint Tax Committee) and Bob Greenstein (Center on Budget and Policy Priorities)

Workshop on Private Market Options: Martin Feldstein (Harvard University) and Robert Reischauer (Brookings Institution)

12:30-1:15: CLOSING SESSION WITH PRESIDENT CLINTON, VICE PRESIDENT GORE, AND MEMBERS OF CONGRESS.



A project funded by The Pew Charitable Trusts

November 11, 1998

Office of The First Lady
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C.

Dear Mr. Clinton:

Americans Discuss Social Security is very excited about our national conference on "Women and Retirement" which will take place on Saturday, January 23, 1999. We are hoping you will chair the event at our D.C. studio.

Social Security—the most successful domestic program in the history of our country – inherently has certain discriminatory effects on women and minorities. *Americans Discuss Social Security*, a non-profit, non-advocacy effort funded by The Pew Charitable Trusts, has been actively promoting discussion of these issues for the past year. We are pleased that our project was already in place when the President called for 1998 to be the year of the national discussion of Social Security, and we have been working extensively with the Administration and the Congress in generating the "national conversation."

"Women and Retirement" will take place in 15 cities across the country, including: Seattle, San Francisco, Detroit, Minneapolis, Cleveland, Miami, Philadelphia, and New Orleans. There will be approximately 200 citizens at each of the 15 sites; in addition, the conference will be broadcast via satellite in all 50 states. We are excited about the event, as it will provide an opportunity to focus national attention on the unique aspects of Social Security/retirement and women.

Americans Discuss Social Security has developed a unique program to generate intense citizen involvement in the issue. Prior to the event we provide educational materials to be read by the participants; however, we primarily provide opportunity for discussion among the participants. Social Security and retirement experts will be present in the Washington, DC studio. They will give brief, informative presentations to the participants, and they will be available to answer any questions that might arise.

Ken, et al FYI

This looks good
to me. What
do you think?

md
I agree.
Ten

Office of The First Lady
The White House
Page Two

A key element of ADSS events is the use of technology in collecting positions and recommendations. We use electronic keypads for the citizens to provide certain information and to vote on priorities, and we use laptop computers for collecting information relative to the discussion. All of this material will be immediately transmitted to the Washington studio for review, and then disseminated to all the sites.

I respect your commitment to issues affecting women, and I sincerely hope that you will be able to chair our event, as I know that it would add tremendously to the interest and excitement of our national conference.

If you have any questions regarding the teleconference, please do not hesitate to call me.

Regards,



Carolyn J. Lukensmeyer
Executive Director

*This event fits your
style perfectly!*

Elderly Poverty Rate in U.S. Before and After Receipt of Social Security, 1996

Poverty rate before benefits	50.1%
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Poverty rate after benefits	12.3%
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Source: Census Data

Elderly Lifted out of Poverty by Social Security as Percentage of All Elderly Lifted Out of Poverty by Safety Net Programs, 1996

	Number (millions)	As Percentage of All Elderly Who Are Lifted Out of Poverty
Elderly lifted out of poverty by:		
Social Security	11.7	89.3%
Other social insurance	0.4	3.1%
Means-tested cash	0.5	3.7%
Means-tested non-cash	0.5	3.8%
All safety net programs	13.0	100.0%

People Lifted out of Poverty by Safety Net Programs, by Age, 1996

	All Persons (millions)
Number poor lifted out of poverty by:	
Social insurance (primarily Social Security)	17.9
Means-tested cash programs	3.0
Means-tested non-cash programs	4.3
Federal taxes and the EITC	1.7
All safety net programs	27.0

THE EMERGING PLAN TO FIX MEDICARE

CLINTON AND ROGUE STATE

NOVEMBER 21, 1998 NUMBERS 47-48

National Journal

THE WEEKLY
ON POLITICS AND
GOVERNMENT



End of the Lin

He proved the President had lied to the people—and the people didn't much. Now Ken Starr gets one final shot to make his case. ■ BY CARL M. CANNON AND KIRK V.

WHAT SOCIAL SECURITY CRISIS?

There are two simple truths about the Social Security crisis. A modest, long-term problem is being hyped into an impending catastrophe. And battle lines drawn in Washington over Social Security have less to do with pragmatic solutions than with liberal-conservative wars dating back to the Roosevelt Administration. These are being played out against the backdrop of the next Presidential election. Both Democrats and Republicans are demagoguing. It's time for some clarity.

Conventional wisdom says that Social Security will go bankrupt in 30 years, under the weight of 78 million retired baby boomers. But Social Security actuaries use an average economic growth rate of 1.7% over the next three decades to reach that conclusion. It is a miserly number that projects a below-trend average growth rate into the 21st century.

Assume for a moment that the actuaries are wrong and annual growth is half a percentage point faster (2.2%) over the next 30 years. Assume, too, that the federal tax bite stays the same, taking about 20% of the economy. This math generates an additional \$5 trillion in 1998 dollars in cumulative revenues—a huge sum available for seventysomething boomers. It's entirely plausible. The U.S. has been growing at a 2.5% rate in the '90s, with little inflation. Recently, productivity has been rising at nearly 2% annually. Economic growth in the future will probably average closer to 2.5% than 1.7%. Those who say Social Security trust funds will run out of money overlook the overall revenue picture. Social Security could be paid, in part, out of general revenues. Its funds are already, in effect, commingled with general revenues and are counted in the budget surplus.

The Social Security debate is being framed in Washington as pro- or anti-privatization. It's a false dichotomy. To "save" Social Security, conservatives would begin privatizing it, directing a portion of payroll taxes into individual accounts. They argue that people could invest the funds in higher-yielding equities, boosting the savings available for retirement and for investment. This would also permit legislators to return a chunk of the budget surplus to voters as a tax cut—a twofer for those who want to shrink the size of government.

Privatization doesn't work, however, without faster growth. And with faster growth, it isn't needed. Stocks have been rising at double-digit rates because the economy has been booming. But with growth at 1.7%, returns in the stock market wouldn't be much higher than the yields on government bonds. Certainly not enough to throw out the Social Security system as we now know it.

Democrats, for their part, are so desperate to deny the GOP a popular tax cut that they want to "save" Social Security by husbanding all budget surpluses while raising payroll taxes. Privatizing is fine with Democratic centrists, but only if the government invests the money. It's a bad plan. Payroll taxes are already onerous—and regressive. The prospect of the government owning 20% of General Electric, Ford, or Microsoft is a nightmare. As for tax cuts, a drop in marginal rates can stimulate growth and tax revenues.

The politicization of the Social Security debate obscures the fact that, as Fed Chairman Alan Greenspan puts it, "The bottom line in all retirement programs is the availability of real resources." America doesn't need to kill Social Security to save it. It just has to grow fast enough to save the boomers.

IN JAPAN, A NEW GENERATION ARISES

Waiting for Japan to reform has grown into a game over the years. Everyone in the West plays it—policymakers, business leaders, economists, journalists—but no one especially likes it. There are never any winners, anyway—until now, perhaps. Demands for fundamental change are being made deep inside the Iron Triangle that has run the country since the end of U.S. Occupation—the corporate, political, bureaucratic nexus. For the first time, there are forces inside Japan for many of the economic reforms the U.S. has sought for decades. This is an opportunity Washington must not squander.

A mere decade after most Japanese convinced themselves they had become No. 1, recession has led many to question the prevailing model. Favoring producers over consumers, exports over imports, market share over profits, employment over productivity, Japan kept to a developing-nation strategy long after it joined the ranks of advanced countries.

Fault lines are beginning to appear everywhere. Huge losses at Hitachi, Mitsubishi, and other big Japanese corpo-

rations—their first in 50 years—have turned them against members of their own *keiretsu* business groups. Abandoning their system of consensual capitalism, they are selling the shares they hold of other *keiretsu* companies to raise capital. Layoffs are tearing up the fabric of corporate life, where lifetime employment was once exchanged for employee loyalty.

A deep split between older and younger politicians is opening as well. Younger Liberal Democrat Party politicians want more power over policymaking and the bureaucrats. They are more sensitive to urban voters and consumer issues. The rival Democratic Party of Japan wants to roll back the disliked sales tax. The Buddhist-backed Komeito Party favors giving consumers free vouchers to stimulate spending.

It would be naive to think that Japan is on the verge of remaking itself in America's image. Yet it would also be wrong to ignore the changes in Japanese society. Washington must take note. Slamming Japan from the outside is easy. Working with like-minded groups from the inside requires more finesse.

REVISED DRAFT SCHEDULE AND OUTLINE OF WHITE HOUSE CONFERENCE ON SOCIAL SECURITY

DAY #1: DECEMBER 8, 1998

9:30-10:30 -- Opening Session.

- President Clinton, Vice President Gore, Speaker Livingston, Minority Leader Gephardt, Senator Trent Lott, and Senator Tom Daschle. Option: Both us and Republicans select one "real" person to speak about Social Security reform.

10:30-12:00 -- Hearing on Findings from the National Dialogue and How It Provides Guidance on What The Goals Should Be of Social Security Reform.

- Have groups (e.g., AARP and the Concord Coalition) present their summary of findings from the national dialogue to the President, Vice President, and Congressional leaders, and, based on what they learned, provide guidance on what our goals should be of Social Security reform. This session could also include Members of Congress and experts on the panel to discuss findings from the national dialogue on different reform options.

12:00-1:15 -- Lunch Break.

1:15-2:45 -- Panel on the Challenges of Social Security Reform.

- Use skilled moderator to direct discussion on the challenges of Social Security reform: possible presenters could include Frank Raines and Carol Cox Wait to discuss how the Social Security system currently runs and what would be the opportunities and challenges for Social Security of having a budget surplus; Henry Aaron to discuss administrative cost issues under Individual Accounts; Carolyn Weaver to discuss corporate governance issues with investing the Trust Fund in equities; and SEC Chair Arthur Levitt to discuss investor protection under both proposals.

3:00-4:30 -- Off-the-Record Breakout Sessions.

- Provide key interested parties the opportunity to talk directly with key Social Security decision-makers from both the Administration and Congress in 4-5 informal, off-the-record discussions.

DAY #2: DECEMBER 9, 1998

8:30-11:45 -- Workshops to Educate Decision-Makers and Build Relationships.

- Congress would appoint 48 members (12 each from the House and Senate Democrats and Republicans) and we would appoint 12 Administration officials. We would then split up into 2 groups of 30. The first workshop would go from 8:30-10:00. There would then be a 15-minute break and the next workshop would go from 10:15-11:45. Each group would rotate through the following two workshops:
 - *Ken Kies and Bob Greenstein:* Fiscal issues and "traditional" reform options
 - *Martin Feldstein and Robert Reischauer:* Individual accounts and Trust Fund investments, including how would reform be administered.

12:30-1:00 -- Closing Session.

- Following the workshops, the conference would end with a meeting between the President and the Congressional leadership -- plus Republican and Democratic designees -- perhaps in the Cabinet Room. This meeting would include a report back from the workshops.

THE WHITE HOUSE
WASHINGTON

November 22, 1998

*Note -
Anyone to
add - need
by COB
Slusky*

MEMORANDUM FOR DISTRIBUTION

FROM: GENE SPERLING
JONATHAN KAPLAN

SUBJECT: INVITATION LIST FOR THE WHITE HOUSE CONFERENCE
ON SOCIAL SECURITY

Working with the Office of Public Liaison, as well as numerous other White House offices, we have developed the attached draft list of roughly 225 invitees to the White House Conference on Social Security on December 8 and 9. This group of experts, constituency groups, state and local officials, and others will make up the audience for the Conference, which will be held at the Marriott Wardman.

Because we need to begin inviting people on Tuesday, we would very much appreciate your feedback by COB Monday. Please provide your feedback to Jon Kaplan in OEOP 221 (6-5360). Thank you for helping us out with this short deadline.

Distribution

Podesta
Echaveste
Ricchetti
Sosnik
Klain
Tramontano
Verveer
Moore
Stein
Begala
Nash
Smith
Reed
Marshall
Ibarra
Lewis

Attachment

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Julian	Bond	National Assn for the Advancement of Colored People	Chairman	African American	OPL	Participant	Male	AA	DC
A	Kenneth	Chenault	American Express Company	President and CEO	African American	OPL	Participant	Male	AA	NY
A	Dorothy	Height	National Council Of Negro Women	Former President	African American	OPL	Participant	Female	AA	DC
A	Wade	Henderson	Leadership Conference On Civil Rights	Executive Director	African American	OPL	Participant	Male	AA	DC
A	Jesse	Jackson	Rainbow/ P U S H Coalition	President and CEO	African American	OPL/ NEC	Participant	Male	AA	IL
A	Kweisi	Mfume	National Association For The Advancement Of Colored People	President	African American	OPL	Participant	Male	AA	DC
A	Hugh	Price	National Urban League	President and CEO	African American	OPL	Participant	Male	AA	DC
A	Yvonne	Scruggs-Leftwich	Black Leadership Forum	Executive Director	African American	OPL	Participant	Female	AA	DC
A	Sam	Simmons	National Caucus And Center On Black Aged, Inc	President & CEO	African American	OPL	Participant	Male	AA	DC
A	Eddie	Williams	Joint Center For Political And Economic Studies	President	African American	OPL/ NEC	Participant	Male	AA	DC
A	Phyllis	Campbell	U.S. Bank of Washington	President	Asian	OPL	Participant	Female	A	WA

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Penny	Fukui	Woodburn Co.	Principal	Asian	OPL	Participant	Female	A	WA
A	Chung-wh a	Hong	National Korean American Service And Education Consortium, Inc.	Executive Director	Asian	OPL	Participant	Male	A	NY
A	Karen	Narasaki	National Asian Pacific American Legal Consortium	Executive Director	Asian	OPL	Participant	Female	A	DC
A	Beth	Renge	Renge Securities And Co.	President	Asian	OPL	Participant	Female	A	CA
A	Larry	Bossidy	Allied Signal	Chairman & CEO	Business	OPL	Participant	Male	C	NJ
A	Marshall	Carter	State Street Bank	Chairman	Business	NEC	Participant	Male	C	MA
A	Thomas	Donahue	U S Chamber Of Commerce	President	Business	OPL	Participant	Male	C	DC
A	Jack	Faris	National Federatrion Of Independent Businesses	President	Business	SSA	Participant	Male	C	DC
A	Matthew	Fink	Investment Company Institute	President	Business	OPL/ SSA/ NEC	Participant	Male	C	DC
A	Janice	Gregory	ERISA Industry Committee	VP.	Business	NEC	Participant	Female		
A	Patricia	Hanegan	Business Roundtable	Executive Director	Business	SSA	Participant	Female	C	DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Jerry	Jasinowski	N A M	President	Business	SSA	Participant	Male	C	DC
A	Charles	Kolb	Committee For Economic Development	President	Business	SSA	Participant	Male	C	
A	Dana	Mead	Tenneco	Chairman & CEO	Business	OPL	Participant	Male	C	CT
A	Pete	Peterson	Blackstone Group	Chairman	Business	NEC	Participant	Male	C	NY
A	Terje	Anderson	National Association Of People With A I D S		Disability	OPL	Participant	Male	C	DC
A	Marca	Bristo	National Council On Disability	Chair	Disability	SSA/ NEC	Participant	Female	C	DC
A	Tony	Coehlo	President's Commission On Adults With Disabilities	Chair	Disability	SSA	Participant	Male	E	NY
A	Justin	Dart	Justice For All		Disability	OPL	Participant	Male	C	DC
A	Dan	Fisher	National Empowerment Center	Executive Director	Disability	OPL	Participant	Male	C	MA
A	Marty	Ford	The Arc	Assistant Director	Disability	OPL	Participant	Female	C	DC
A	Barbara	Knowlan	Barrier Breakers		Disability	OPL	Participant	Female	C	MN

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Mark	Richert	American Foundation For The Blind		Disability	OPL	Participant	Male	C	DC
A	George	Watters			Disability	OPL	Participant	Male	C	ID
A	Susan	Webb	Arizona Bridge To Independent Living	Executive Director	Disability	OPL	Participant	Female	C	AZ
A	Henry	Aaron	Brookings Institute	Scholar	Expert	NEC	Participant	Male	C	DC
A	Robert	Ball	Fmr. SSA Comm.	Consultant	Expert	NEC	Participant	Male	C	VA
A	Joann	Barnhart	Barnhart Inc, Independent Co.	SS Advisory Board	Expert	SSA	Participant	Female	C	DC
A	Sam	Beard	Economic Security 2000	President	Expert	SSA/ NEC	Participant	Male	C	DE
A	Bradley	Belt	CSIS	Ex-Director	Expert	NEC	Participant	Male	C	DC
A	Michael	Boskin	Hoover Institution	Scholar	Expert	NEC	Participant	Male	C	DC
A	Stuart	Butler	Heritage Foundation	Vice President	Expert	NEC	Participant	Male	C	DC
A	Francis	Cavanaugh	Federal Employees Retire System	Consultant	Expert	NEC	Participant	Female	C	VA

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Shirley	Chater	Social Security	Former Comm.	Expert	NEC	Participant	Female	C	CA
A	Barber	Connable	Former Congressman	Former Head of World Bank	Expert	NEC	Participant	Male	C	
A	Carol	Cox-Wait	Comm. Resp. Budget	President	Expert	NEC	Participant	Female	C	DC
A	David	Cutler	Harvard	Economist	Expert	NEC	Participant	Male	C	MA
A	Dick	Darman			Expert	NEC	Participant	Male	C	CT
A	Peter	Diamond	MIT	Professor	Expert	NEC	Participant	Male	C	MA
A	David	Ellwood	Harvard	Economist	Expert	NEC	Participant	Male	C	MA
A	Louis	Enoff	Grassley SS wk. group	Consultant	Expert	NEC	Participant	Male	C	DC
A	Jeff	Faux	Economic Policy Institute	President	Expert	NEC	Participant	Male	C	DC
A	Martin	Feldstein	National Bureau of Economic Research	Economist	Expert	NEC	Participant	Male	C	MA
A	Peter	Ferrara	Amer. For Tax Reform	Gen. Counsel	Expert	NEC	Participant	Male	C	DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Edith	Fierst	Fierst & Moss, OWL	Attorney	Expert	NEC	Participant	Female	C	DC
A	Betty	Friedan			Expert	SSA	Participant	Female	C	NY
A	Al	From	SS Advisory Board	Social Security Advisory Board	Expert	SSA	Participant	Male	C	DC
A	Ronald	Gebhardtser	American Academy Of Actuaries	Senior Pension Fellow	Expert	OPL/ NEC	Presenter	Male	C	VA
A	Fred	Goldberg, Jr.	Skadden, Arps, Slate, etc	Lawyer	Expert	NEC	Participant	Male	C	DC
A	Richard	Grafmeyer	Ernst & Young / S S Advisory Board	National Director	Expert	NEC	Participant	Male	C	
A	Edward	Gramlich	Federal Reserve Board	Chairman	Expert	NEC	Participant	Male	C	MI
A	Robert	Greenstein	Center on Budget and Policy Priorities	Ex. Director	Expert	NEC	Participant	Male	C	DC
A	John	Gruber	MIT	Economist	Expert	NEC	Participant	Male	C	MA
A	Lori	Hansen	Social Security Advisory Board	Member	Expert	NEC/ SSA	Participant	Female	C	MI
A	Heidi	Hartmann	Institute For Women's Policy Research	Dir. & President	Expert	OPL/ NEC	Participant	Female	C	DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Estelle	James	World Bank		Expert	NEC	Participant	Female	C	DC
A	Tom	Jones	Former TIAA-CREF	President & CEO	Expert	NEC	Participant	Male	AA	NY
A	Steve	Kellison	Variable Annuity Life Insurance Company/Nat. Bur. of Economic Research	VP & Chief Act./S S Board of Trustees	Expert	SSA/ NEC	Participant	Male	C	TX
A	Martha	Keys	Social Security Advisory Board/OWL/ Nat. Multiple Sclerosis Society	Dir. Gvt. Relation/SS Advisory Board	Expert	SSA/ NEC	Participant	Female	C	DC
A	Ken	Kies			Expert	NEC	Participant	Male	C	
A	Kilolo	Kijakazi	Center On Budget And Policy Priorities	Policy Analyst	Expert	NEC	Participant	Female	AA	DC
A	Greg	Kubiak	C S I S		Expert	NEC	Participant	Male	C	DC
A	Pam	Larson	Nasi		Expert	NEC	Participant	Female	C	DC
A	Richard	Leone	Twentieth Century Foundation	President	Expert	NEC	Participant	Male	C	NY
A	Paul	Light	Pew Charitable Trusts	Director	Expert	NEC	Participant	Male	C	PA
A	Lawrence	Lindsey		Former Federal	Expert	NEC	Participant	Male	C	

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Bob	Litan	Brookings Institution		Expert	NEC	Participant	Male	C	DC
A	Carolyn	Lukensmeyer	Americans Discuss Social Security	Executive Director	Expert	OPL/ NEC	Presenter	Female	C	DC
A	Theodore	Marmor	Yale University Political Science Department	Economist	Expert	NEC	Participant	Male	C	CT
A	Will	Marshall	Progressive Policy Institute		Expert	NEC	Participant	Male	C	DC
A	Harlan	Mathews	Lawyer	Former Senator	Expert	NEC	Participant	Male	C	
A	Bruce	Mc Laurey	Committee on Economic Development	Trustee	Expert	NEC/ SSA	Participant	Male	C	
A	Olivia	Mitchell	University of Penn Wharton School	Academic	Expert	NEC	Participant	Female	C	PA
A	Marilyn	Moon	Urban Institute	Researcher/S S Board of Trustees	Expert	NEC/ SSA	Participant	Female	C	DC
A	Stephen	Moore	CATO	Director	Expert	NEC	Participant	Male	C	DC
A	Alicia	Munnell	Boston College-Department of Finance	For. Asst. Sec.	Expert	NEC	Participant	Female	C	MA
A	Robert	Myers	Ret. Chief Actuary SSA	Actuary	Expert	NEC	Participant	Male	C	VA

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Bonnie	O'Day	N R H Research Center	Assistant Director	Expert	OPL	Participant	Female	C/D	DC
A	Van Doorn	Ooms	Committee For Economic Development	Senior Vice president	Expert	NEC	Participant	Male		DC
A	Norm	Ornstein	A E I	Resident Scholar	Expert	NEC	Participant	Male	C	NY
A	Michael	Orszag	University of London	Professor	Expert	NEC	Participant	Male	C	
A	Rudolph	Penner	Urban Institute		Expert	NEC	Participant	Male	C	DC
A	Martha	Phillips	Concord Coalition	Exec. Director	Expert	NEC	Participant	Female	C	DC
A	Jose	Pinero	CATO		Expert	NEC	Participant	Male		
A	Wendell	Primus	Center on Budget & Policy Priorities	Dir. Income Security	Expert	NEC	Participant	Male	C	DC
A	Franklin	Raines	Fannie Mae	Chair	Expert	NEC	Participant	Male	AA	DC
A	Robert	Reischauer	Brookings Institute	Scholar	Expert	NEC	Participant	Male	C	DC
A	Virginia	Reno	NASI	Director	Expert	NEC	Participant	Female	C	DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Stanford	Ross	Social Security Advisory Board/arnold & Porter	Chair/Lawyer	Expert	SSA	Participant	Male	C	DC
A	Dallas	Salisbury	EBRI	President	Expert	NEC	Participant	Male	C	DC
A	Andrew	Samwick	Dartmouth College	Economist	Expert	NEC	Participant	Male	C	NH
A	Sylvester	Schieber	Social Security Advisory Board/Watson-Wyatt	Member/VP	Expert	SSA/ NEC	Participant	Male	C	DC
A	Karl	Scholz	U. Wisconsin	Economist	Expert	NEC	Participant	Male	C	WI
A	Robert	Shapiro	Columbia University	Academic	Expert	NEC	Participant	Male	C	NY
A	Eugene	Steuerle	Urban Institute	Researcher	Expert	NEC	Participant	Male	C	DC
A	Fernando	Torres-Gil	School Of Public Policy And Social Research, U C L A	Associate Dean	Expert	OPL	Participant	Male	H	CA
A	Carolyn	Weaver	AEI	Project Director	Expert	NEC	Participant	Female	C	DC
A	David	Wise	Kennedy School Of Government, Harvard Univ.	Professor	Expert	NEC	Participant	Male	C	MA
A	Kirsten	Kingdon	Parents And Friends Of Gays And Lesbians	Executive Director	Gay And Lesbian	OPL	Participant	Female		DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Kerry	Lobel	National Gay And Lesbian Task Force	Executive Director	Gay And Lesbian	OPL	Participant	Female		DC
A	Beverly	Malone	American Nurses Association	President	Health	OPL	Participant	Female	AA	DC
A	Suleika	Cabrera	Institute For Puerto Rican/ Hispanic EI	Executive Director	Hispanic	OPL	Participant	Female	H	
A	Enrique	Dovalina	League of United Latin American Citizens	National President	Hispanic	OPL	Participant	Male	H	
A	Manuel	Mirabal	National Puerto Rican Coalition	President	Hispanic	OPL	Participant	Male	H	
A	Cecellia	Munoz	La Raza	Deputy Vice President	Hispanic	SSA	Participant	Female	H	DC
A	Josephine	Nieves	National Association Of Social Workers	Executive Director	Hispanic	OPL	Participant	Female	H	
A	Dennis	Rivera	Nat'l HSS Employment Union, SEI	President	Hispanic	OPL	Participant	Male	H	NY
A	Elisa	Sanchez	MANA/National Latina Organization	President/Executive Director	Hispanic	OPL	Participant	Female	H	DC
A	Marta	Sotomayor	National Hispanic Council On Aging	President	Hispanic	OPL/ NEC	Participant	Female	H	
A	Raul	Yzaguirre	National Council Of La Raza	President & Director	Hispanic	OPL/ NEC	Participant	Male	H	

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Morton	Bahr	Communications Workers Of America	President	Labor	OPL	Participant	Male		DC
A	George	Becker	United Steelworkers Of America	President	Labor	OPL	Participant	Male		PA
A	Clayola	Brown	Amalgamated Service & Allied Industries Joint Board	International Vice President	Labor	OPL	Participant	Female	AA	NY
A	Robert	Chase	National Education Association	President	Labor	SSA	Participant	Male	C	DC
A	Linda	Chavez-Thompson	A F L - C I O	Executive Vice President	Labor	OPL	Participant	Female	H	DC
A	Sandra	Feldman	American Federation Of Teachers	President	Labor	OPL	Participant	Female		DC
A	Robert	Georgine	Building And Construction Trades Department	President	Labor	OPL	Participant	Male	C	DC
A	Joe	Greene	American Federation Of School Administrators	President	Labor	OPL	Participant	Male	AA	DC
A	Bobby	Harnage, Sr	American Federation Of Government Employees, Afl-cio	National President	Labor	OPL	Participant	Male	C	DC
A	Sumi	Haru	Screen Actors Guild	National Recording Secretary	Labor	OPL	Participant	Female	A	CA
A	Carroll	Haynes	International Brotherhood Of Teamsters Local 237	President	Labor	OPL	Participant	Male	AA	NY

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Roger	Hickey	Campaign For America's Future	Executive Director	Labor	NEC/SSA	Participant	Male		
A	Gloria	Johnson	Department Of Social Action, International Union Of Electronic, Electrical,	Director	Labor	OPL	Participant	Female	AA	DC
A	John	Joyce	International Union Of Bricklayers And Allied Craftsmen	President	Labor	OPL	Participant	Male		DC
A	William	Lucy	Coalition of Black Trade Unionists/Am. Fed. of State, County & Municipal Employ.	President/Secretary-Treasurer	Labor	OPL	Participant	Male	AA	DC
A	Leon	Lynch	United Steelworkers Of America	Vice President	Labor	OPL	Participant	Male		PA
A	Jay	Mazur	Union Of Needletrades, Industrial & Textile Employees	President	Labor	OPL	Participant	Male		NY
A	Gerald	Mc Entee	Am. Fed.of State, County & Municipal Employ	President	Labor	OPL	Participant	Male	C	DC
A	Arturo	Rodriguez	United Farm Workers Of America	President	Labor	OPL	Participant	Male	H	CA
A	Gerry	Shea	A F L - C I O	Assistant to the President	Labor	SSA	Participant	Male	C	DC
A	John	Sweeney	A F L - C I O	President	Labor	OPL	Participant	Male	C	DC
A	Robert	Tobias	Nat'l Treasurers Employee Union	President	Labor	SSA	Participant	Male	C	MD

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Richard	Trumka	A F L - C I O	Secretary-Treasurer	Labor	OPL	Participant	Male	C	DC
A	Boyd	Young	United Paperworks International Union	President	Labor	OPL	Participant	Male		TN
A	Diana	Aviv	Council Of Jewish Federations	Executive Vice President- Public Policy	Religious	OPL	Participant	Female	E	DC
A	Kay	Bengston	Evangelical Lutheran Church In America	Chair	Religious	OPL	Participant	Female	C	DC
A	Sharon	Daly	Catholic Charities U S A	Deputy for the President for Social Policy	Religious	OPL/ SSA	Participant	Female	C	VA
A	Cy	Carpenter	National Farmers Union	Past President	Rural	OPL	Participant	Male	C	MN
A	Mel	Aaronson	United Federation Of Teachers	Treasurer	Senior	OPL	Participant	Male		NY
A	Bea	Bacon	National Silver Haired Congress	Chairman	Senior	OPL	Participant	Female	C	KS
A	Pat	Bandich		Volunteer	Senior	OPL	Participant	Female	C	CO
A	Robert	Blancato	Matz- Blancato & Associates/ Matz Shea Blancato	Executive Director	Senior	OPL/ NEC	Participant	Male	E	DC
A	Deborah	Briceland-Betts	Older Womens League	Executive Director	Senior	OPL	Participant	Female	C	DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Paul	Bridgewater	National Caucus & Center on Black Aged, Inc.		Senior	OPL	Participant	Male	AA	MI
A	Sandra	Butler	United Seniors Association	President	Senior	SSA	Participant	Female	C	VA
A	Eugene	Callender	National Caucus and Center on Black Aged	Chair	Senior	OPL	Participant	Male	AA	NY
A	Yung-Ping	Chen	National Council On Aging	Chair in Gerontology	Senior	OPL	Participant	Male	A	MA
A	James	DeLaCruz	Quinault Indian Nation	Senior President	Senior	OPL	Participant	Male	NA	WA
A	Neetu	Dhallan-Gray	National Assn Of Area Agencies On Aging	Executive Director	Senior	OPL	Participant	Male	E	MD
A	Jonathan	Edwards	Retirement Security Alliance	Executive Director	Senior	SSA	Participant	Male	C	DC
A	Frankie	Freeman	National Council On Aging	Attorney	Senior	OPL	Participant	Female	AA	MO
A	Burton	Fretz	National Senior Citizens Law Center	Executive Director	Senior	SSA/NEC	Participant	Male	C	DC
A	Chris	Gianopoulos	National Assn Of State Units On Aging	Director, Bureau of Elder & Adult Services	Senior	OPL	Participant	Female	E	ME
A	Lou	Glasse	OWL	Former President	Senior	OPL	Participant	Female	C	NY

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Elinor	Guggenheimer	Senior Centers And Services Of New York	Founding President Council	Senior	OPL	Participant	Female	C	NY
A	Gordon	Jones	Seniors Coalition	President	Senior	SSA	Participant	Male		
A	George	Kourpias	National Council Of Senior Citizens	President	Senior	OPL		Male	E	MD
A	Carmela	Lacayo	Asociacion Nacional Pro Personas Mayores	President & CEO	Senior	NEC	Participant	Female	H	CA
A	Chuck	Loveless	American Federation Of State, County & Munipal Employees	Director Department of Legislation	Senior	OPL	Participant	Male	C	DC
A	Peter	Luciano	National Alliance Of Senior Citizens	CEO	Senior	SSA	Participant	Male	E	DC
A	James	Martin	60 Plus	President	Senior	NEC/ SSA	Participant	Male	C	DC
A	Martha	Mc Steen	Nat'l Comm. To Preserve Social Security & Medicare	President	Senior	OPL/ NEC	Participant	Female	C	DC
A	Evelyn	Morton	American Association Of Retired Persons	Legislative Representative	Senior	OPL	Participant	Female	C	DC
A	Robert	Normandie	National Ass. Of Retired Federal Employees		Senior	OPL	Participant	Male	C	VA
A	Betty	Ongley	Older Women League	Board President	Senior	OPL	Participant	Female	C	DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Joseph	Perkins	American Association Of Retired Persons	President	Senior	OPL	Participant	Male	C	DC
A	Steve	Protulis	National Council Of Senior Citizens	Executive Director	Senior	OPL	Participant	Male	E	MD
A	Max	Richtman	Nat'l Comm. To Preserve Social Security & Medicare	Executive Vice-President	Senior	OPL	Participant	Male	C	DC
A	Michael	Rodgers	Am Ass. Of Homes & Svcs. For The Aging	Senior Vice President	Senior	OPL	Participant	Male	C	DC
A	John	Rother	A A R P	Director of Legislation & Public Policy	Senior	OPL/ NEC	Participant	Male	C	DC
A	Jule	Sugarman	Gray Panthers	Executive Director	Senior	SSA	Participant			
A	Rosalie	Whelan	Service Emp. Int. Union	Ret. Members Program Coordinator	Senior	OPL	Participant	Female		DC
A	Ron	Allen	Jamestown S'Klalum	Chairman	State/local	IGA	Participant	Male	NA	WA
A	Norma	Anderson	SS Task Force, Nat'l Conference of State Leg.	State Senator, Co-Chair	State/local	IGA	Participant	Female		CO
A	James	Burton	California Public Employees' Retirement System	CEO	State/local	POL	Participant	Male	C	CA
A	Thomas	Carper	National Governors Association	Chair	State/local	IGA	Participant	Male	C	DE

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
	~~Richard~~	~~Daley~~		~~Mayor - Chicago~~	~~State/local~~	~~IGA~~	~~Participant~~	~~Male~~	~~C~~	~~IL~~
A	Nancy	Graham		Mayor	State/local	IGA	Participant	Female	C	FL
A	John	Hurson	SS Task Force, Nat'l Conference of State Leg.	Co-Chair	State/local	IGA	Participant	Male		MD
A	Ron	Kirk	US Conference of Mayors Lead on SS	Mayor - Dallas	State/local	IGA	Participant	Male	AA	TX
A	Michael	Leavitt	National Governors Association	Vice-Chairman	State/local	IGA	Participant	Male	C	UT
A	Don	Miller	National Council Teachers Retirement System	President	State/local	IGA	Participant	Male	C	
A	Kevin	Murray	California Legislative Black Caucus	Chairman	State/local	IGA	Participant	Male	AA	CA
A	Carolyn	Ratto	League Of California Cities	President	State/local	IGA	Participant	Female		CA
A	Yvonne	Richardson	Louisiana Association Of Public Employee Retirement Systems	President	State/local	POL	Participant	Female	C	LA
A	Arturo	Vargas	Nat'l Association of Latino Elected & Appointed Officials	Executive Director	State/local	IGA	Participant	Male	H	CA
A	Betty Lou	Ward	National Association Of Counties	President	State/local	IGA	Participant	Female	C	NC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Joe	Carollo		Mayor	V P	VP	Participant	Male	H	FL
A	Marion	Copenhaver	N H State Rep From Etna		V P	VP	Participant	Female	C	
A	Preston	Daniels	City Of Des Moines	Mayor	V P	VP	Participant	Male	AA	IA
A	Joyce	Dugan	Eastern Band of Cherokee Indians (NC)	Principal Chief	V P	VP	Participant	Female	NA	NC
A	Martha	Fuller- Clark	New Hampshire State Rep From Portsmouth	State Representative	V P	VP	Participant	Female	C	NH
A	Herky	Harris	Ivesco Capital Management, Inc.		V P	VP	Participant	Male	C	
A	William	Lambert	United Teachers		V P	VP	Participant	Male	C	CA
A	Judy	Lichtman	National Partnership for Women & families	President	V P	VP	Participant	Female	C	DC
A	Harold	Schaitberger	International Assoc. Of Firefighters	Exec. Assistant to the Gen. Pres.	V P	VP	Participant	Male	C	DC
A	Larry	Seidman	University Of Delaware		V P	VP	Participant	Male	C	DE
A	Susan	Bianchi-Sand	Council Of Women	President	Women	OPL	Participant	Female	C	DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Nancy	Campbell	National Women's Law Center	Co-President	Women	OPL	Participant	Female	C	DC
A	Cindy	Hounsell	Women's Institute For A Secure Retirement	Executive Director	Women	OPL	Participant	Female	C	DC
A	Karen	Nussbaum	A F L - C I O	Director, Working Women's Department	Women	OPL	Participant	Female	C	DC
A	Carole	Roberts	Secure Retirement Coalition	Chair	Women	OPL	Participant	Female	C	DC
A	Gail	Shaffer	Business & Professional Women	CEO	Women	OPL	Participant	Female	C	DC
A	Ellie	Smeal	Feminist Majority Foundation	President	Women	OPL	Participant	Female	C	VA
A	Jane	Smith	National Council Of Negro Women	President and CEO	Women	OPL	Participant	Female	AA	DC
A	Nancy	Zirkin	A A U W	Government Relations Director	Women	OPL	Participant	Female	C	DC
A	Michael	Beattie	National Council Of Students With Disabilities	Director	Youth	SSA/NEC	Participant	Male	C	VA
A	Kristen	Konefal	U N I T E Political Dept.		Youth	OPL	Participant	Female		NY
A	Liz	Kramer	Campaign For America's Future	Deputy Director	Youth	OPL/NEC	Participant	Female	C	DC

WHCSS- A group by constituency

Priority	F. Name	L. Name	Organization	Title	Constituency Group	Ref. Dep.	Presenter or Participant	Gender	Race	State
A	Heather	Lamm	Third Mellinium	Chairperson	Youth	OPL	Participant	Female	C	CA
A	Kamal	Latham	Kennedy School Of Government/ Third Millenium	Graduate Student	Youth	OPL	Participant	Male	AA	NY
A	Adam	Luna	2030 Center	Program Director	Youth	NEC/ OPL	Participant	Male	C	DC
A	Hans	Riemer	2030 Center	Founder and Director	Youth	OPL		Male	C	DC
A	Eric	Rodriguez	National Council Of La Raza	Senior Policy Analyst	Youth	OPL	Participant	Male	H	
A	Dennis	Rogers	Black Youth Vote!	National Coordinator	Youth	OPL/ NEC	Participant	Male	AA	DC
A	Anthony	Samu	United States Student Association	President	Youth	OPL/ NEC	Participant	Male	A	
A	Eric	Seidel	U S Junior Chamber Of Commerce	President	Youth	OPL	Participant	Male	C	OK
A	Richard	Thau	Third Millenium	Exec. Director	Youth	OPL/ NEC	Participant	Male	C	NY