

THE SOCIAL SECURITY ADVISORY COUNCIL

TALKING POINTS

- The Advisory Council worked hard and raised some important questions about the finances of Social Security, but was completely split on what to do about them.
- Social Security is one of our most important programs. It has provided security in retirement for tens of millions of Americans for three generations.
- The President is committed to making sure that Social Security continues to provide benefits for the generations to come – and it will. We *can* make changes – as we did in 1983 – that put its finances in order.
- The Social Security trust fund will remain solvent for over thirty years. Nonetheless, we should start developing solutions.
- Any solution to Social Security's funding needs can only come about from a carefully-considered, bipartisan process. The President will discuss this with the new Congress.
- As we review the possibilities that have been suggested by the Commission and others, the President will judge them based upon the principles that have served Social Security as a public trust for over 60 years, that:
 - Social Security must continue to provide a secure retirement, not only for today's retirees, but future generations as well;
 - Social Security must continue its historic mission as our nation's premier social insurance program to protect all Americans and their families against disability, death and the risks of poverty in their retirement years; and that
 - Social Security's finances must be sound.

QUESTIONS & ANSWERS

Q: But there are serious problems with Social Security. Is the President going to have recommendations this year on how he would handle this?

The Social Security trust fund can pay benefits at current levels for over thirty years, until 2029. Nonetheless, we should start to address these issues now.

The President has always said that the long-term financing concerns need to be dealt with in a bipartisan context. Maintaining the solvency of Social Security is a complicated and important issue. We should address it in a careful, bipartisan, and non-political manner.

This year, the President's first priority is reaching agreement with the Congress on a balanced budget in a way that preserves the Medicare trust funds well into the next decade. The President and the Congress need to address the financial balance of Social Security, but our most immediate priority must be to reach a bipartisan agreement and balance the budget.

Q: Will the President propose creation of a bi-partisan commission on Social Security?

The President is committed to ensuring that all working Americans receive their Social Security benefits, and believes that a bipartisan process is the right way to do it.

A commission is certainly one possibility for such a bipartisan process, but such a proposal will not be made without first consulting the Congress.

Q: Does the Administration support proposals to change current law so that Social Security funds could be invested in the stock markets in order to bring the Social Security system higher returns?

Some of the members of the Advisory Council suggested this as a possibility for study. Clearly, it would need to be considered in light of the principles laid down by the President. Some argue that investing part of the trust fund in stocks is a way to increase the return on Social Security contributions -- a concern of many younger workers. But investing in the stock market obviously poses some risk and a variety of real concerns, so it would have to be considered very carefully.

Q. Does the Administration support the proposals by Senator Kerrey and others to allow people to use a portion of their payroll tax to set up their own IRAs?

The President is committed to the principles that have served Social Security as a public trust for over sixty years, that:

- Social Security provide a secure retirement for both today's retirees and the generations to come;
- Social Security must continue its historic mission as our nation's premier social insurance program, to protect all Americans and their families against disability, death and the risks of poverty in their retirement years; and that
- Social Security's finances be sound.

Any of the proposals that have been made by the Advisory Commission and others must be judged against these standards. Proposals for individual accounts are no exception. They, like the other proposals made by the Advisory Commission, should be analyzed and considered, carefully and as a package, in a bipartisan process. They really cannot be considered in isolation.

Q: What about an increase in the retirement age?

This was another issue that was raised in the Social Security Advisory Committee, but on which they remained divided. Some people feel that doing so makes sense, because we are living longer. However, there are real concerns that this would reduce benefits for those who retire earlier, as a result of careers at physical labor or because of ill health, and that this would be unfair.

Q: What about an increase in the payroll tax?

The Administration believes that Social Security's finances be restored without raising the payroll tax. The tax is already substantial and an increase would be regressive.

Q. *Wouldn't converting to individual accounts increase saving?*

This Administration has made retirement security and national savings a priority. We have proposed legislation that will expand private pensions and taken other steps to help people save. We have also increased national savings dramatically, by reducing the federal deficit more than 60%.

The effects on saving of changing from a national trust fund to a system that combines both national and individual accounts are unclear.

The establishment of individual accounts, by themselves, may or may not lead people to save more than they otherwise would. Some economists believe that, because individuals would receive the benefit of the individual contribution, they would save more. Others argue this effect will be small, and that instead people will rely too much on their "nest egg" and perhaps even save less.

For the nation as a whole, we can increase savings by restoring Social Security to financial balance. The various Social Security Advisory Council plans propose to do this, but in different ways. We can and will restore Social Security to financial balance, and that will help national saving. But we have to do so in a way that is consistent with the principles that have served Social Security since its inception.

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on Social Security

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