STRENGTHEN SOCIAL SECURITY ...don't cut it.

The Bowles-Simpson Plan Would End Social Security As We Know It

The Bowles-Simpson deficit reduction plan, authored by Erskine Bowles and former Senator Alan Simpson (R-WY), is once again being discussed in Congress as a possible model for bipartisan deficit reduction legislation. Members of Congress should know that the Bowles-Simpson plan would cut Social Security benefits for today's and tomorrow's beneficiaries. Of even greater concern, it would end Social Security as we know it. Specifically, the Bowles-Simpson plan would:

- **Drastically cut the benefits of middle-class families.** The Bowles-Simpson proposal cuts Social Security's retirement, survivors, and disability benefits by between 19% and 42% for young people entering the workforce today.[1]

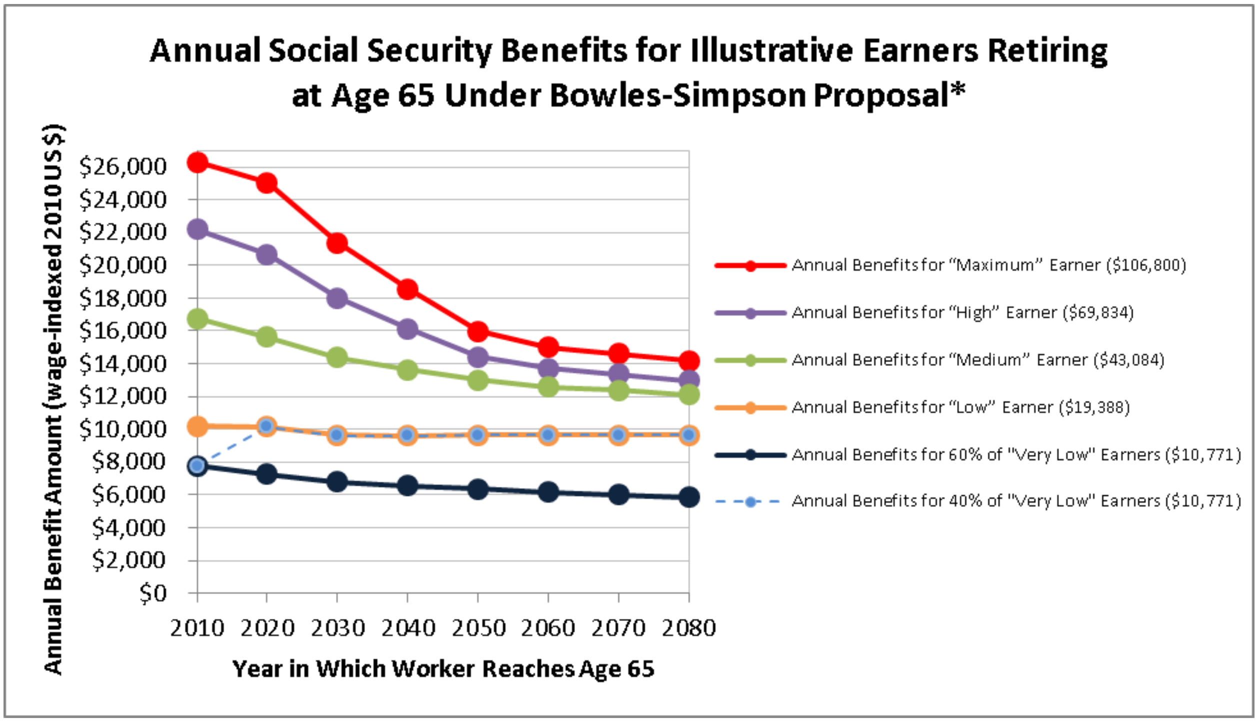
- **Reduce the annual Cost of Living Adjustment (COLA) for current *and* future Social Security beneficiaries.** The Bowles-Simpson proposal would cut the COLA for current *and* future Social Security beneficiaries, reducing benefits more with every passing year. This would prevent benefits from keeping up with increases in the cost of living over time. Under these plans, retirees claiming benefits at 65 would see their benefits decline by 3.7% at age 75, by 6.5% at age 85, and 9.2% at age 95.[2]

- **Raise the Full Retirement Age to 69, and the Earliest Eligibility Age to 64.** Because of the way that Social Security benefits are calculated, raising the retirement age, as the Bowles-Simpson proposal recommends, is indistinguishable from an across-the-board benefit cut, no matter how long workers continue to work – even when they work to age 70 and beyond. Raising the full retirement age by two full years amounts to a 13% benefit cut, on top of the 13% cut already made when the retirement age was increased from 65 to 67.[3] The cuts are hardest for workers in physically demanding jobs, poor health, or who are otherwise unable to continue to work.

- **Radically restructure the program.** The Bowles-Simpson proposal would destroy Social Security by stealth. It would eliminate a fundamental and carefully-crafted feature that has been part of the program since the beginning: the link between benefits and earnings. As Figure 1 shows, over time, everyone would receive nearly the same subsistence-level benefit unrelated to wages.

- **Cut benefits for the most vulnerable.** More than half of all workers with an annual income of about $11,000 would see their benefits cut by about 16% under the Bowles-Simpson proposal.[4]

Figure 1



Source: Social Security Administration, Office of the Chief Actuary, February 2011

*According to Social Security's Chief Actuary, about 60 percent of actual "Very Low" earners, those with earnings of around $10,771, would have their benefits cut under the Bowles-Simpson proposal, because they would neither qualify for a hardship exemption, nor be helped by the proposed minimum benefit. (The Chief Actuary assumes that the hardship exemption would require 25 or more years of covered employment. As under current law, the full enhanced minimum benefit would only be available to workers with 30 years of covered employment.) See SSA, Memo from Stephen C. Goss, Chief Actuary of the Social Security Administration, to Fiscal Commission Co-Chairs, February 2, 2010. (Workers might have fewer than 25 years of covered employment because they have worked in the cash economy where their wages were unreported, because they were unemployed, or for other reasons.)

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[1] Social Security Administration (SSA), Table 1B1 in Letter from Stephen C. Goss, Chief Actuary of the Social Security Administration, to Fiscal Commission Co-Chairs and Bipartisan policy Center Debt Reduction Task Force Co-Chairs, February 2, 2010. http://ssa.gov/oact/solvency/BowlesSimpsonRivlinDomenici_20110202.pdf. Office of the Chief Actuary (OCACT) of the Social Security Administration (SSA), Table 2B1 in Letter from Stephen C. Goss, Chief Actuary of the Social Security Administration, to Fiscal Commission Co-Chairs and Bipartisan policy Center Debt Reduction Task Force Co-Chairs, February 2, 2010. http://ssa.gov/oact/solvency/BowlesSimpsonRivlinDomenici_20110202.pdf

[2] OCACT, SSA, Tables 1B1 and 2B1 in Letter from Stephen C. Goss, Chief Actuary of the Social Security Administration, to Fiscal Commission Co-Chairs and Bipartisan policy Center Debt Reduction Task Force Co-Chairs, February 2, 2010. http://ssa.gov/oact/solvency/BowlesSimpsonRivlinDomenici_20110202.pdf

[3] Each one-year increase represents a cut of 6% to 7%. Social Security Administration (SSA), "Effect of Early or Delayed Retirement on Retirement Benefits," 2010. Available at http://www.ssa.gov/OACT/ProgData/ar_drc.html. Social Security's full retirement age is slowly rising from 65, where it was for those first accepting their retired worker benefits at age 62 or older before 2000, to age 67 for those who are first eligible to receive retired worker benefits at age 62 in 2022. A chart of retirement benefits by age is at http://www.ssa.gov/retire2/agereduction.htm

[4] According to Social Security's Chief Actuary, about 60 percent of actual "Very Low" earners, those with earnings of around $10,771, would have their benefits cut under the Bowles-Simpson proposal, because they would neither qualify for a hardship exemption, nor be helped by the proposed minimum benefit. (The Chief Actuary assumes that the hardship exemption would require 25 or more years of covered employment. As under current law, the full enhanced minimum benefit would only be available to workers with 30 years of covered employment.) Office of

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