

**ENSURING THE FUTURE OF SOCIAL SECURITY
HEARING BEFORE THE
SPECIAL COMMITTEE ON AGING
U.S. SENATE
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STATEMENT BY
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Mr. Chairman and Members of the Committee:

Thank you for inviting me here today. I am especially pleased that the topic of my first congressional hearing as Commissioner of Social Security is to discuss how we begin to strengthen Social Security for the 21st century, because I can think of no issue more important than ensuring the program's future.

President Clinton's message on Social Security in his State of the Union message is clear: "Save Social Security first". One of our most important goals today is making sure Social Security is financially sound. I strongly believe that we can meet that goal, and today I would like to discuss how we can begin to take steps to accomplish it.

Importance of Social Security

It would be almost impossible to overestimate the importance of Social Security in American lives. Only 1 in 9 elderly people have income below the poverty line today, compared to 1 in 3 in 1959. About 40 percent of beneficiaries age 65 and older--and more than 15 million beneficiaries overall--are kept out of poverty by their monthly Social Security benefits.

Social Security is the most successful antipoverty program we have. It is the major source of income for 66 percent of beneficiaries age 65 and older, and it contributes 90 percent or more of income for about 33 percent. Poverty protection is reinforced by Social Security providing benefits which are inflation adjusted through an annual cost of living adjustment known as a COLA.

Much of the current debate concerning the future of the Social Security program has centered exclusively on the retirement program. But this narrow perspective on the program ignores the vitally important insurance benefits that the program provides in the event of the death or disability of a worker. For instance, almost one in six of today's 20-year-olds will die before retirement, and three in 10 will become disabled. Over 30 percent of our Nation's Social Security beneficiaries are receiving disability and survivors benefits, and those programs make up over 30 percent of the benefits Social Security pays.

This protection can be extremely valuable, especially for young families that have not been able to protect themselves against the risk of the worker's death or disability with insurance policies. The average benefit paid today to a disabled worker with a spouse and children is about \$1,200 per month. For a family in which the worker dies, leaving a widow with two children, the average monthly survivor benefit is about \$1,500.

Serious Problems Must Be Addressed

From its inception in 1935, the Social Security program has been financed on close to a pay-as-you-go basis, with current costs met from current revenues and relatively small excess amounts held in the trust

funds. The Social Security Amendments of 1977 and 1983 have created a temporary period where the trust funds will build up reserves beyond the level needed for a contingency reserve. Currently, the combined Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds are projected to become exhausted in 2029, at which time revenues will be sufficient to pay about 75 percent of benefits due.

The underlying reason for the shortfall is that the demographics of America are changing. First, people are living longer, and fertility is declining. Today, the average life expectancy for an individual reaching age 65 is 18 years; back in 1945, the average 65-year-old was expected to live an additional 14 years. The number of people over age 65 is climbing. We expect that the population of elderly--currently 35 million--will nearly double between now and 2030.

Not only is the population of retired workers increasing, but it is increasing faster relative to the number of workers contributing to Social Security. Today, there are 3.3 covered workers for each retiree, but by 2030 there will be only about 2 covered workers per retiree. That ratio generally holds for far in the future.

While these demographic changes raise serious long-range solvency issues, Social Security is not a program in crisis. The projected shortfall in the system, while serious, will not happen for almost three decades, by which time the program will be almost 100 years old.

Nevertheless, President Clinton has wisely said that the time to act is now--the budget has been balanced, the economy is strong, and our fiscal discipline provides us with the opportunity to ensure economic security for future generations of retirees. In fact, I believe that under the President's leadership, we have the opportunity to avoid a crisis, and early action in approaching the solvency problem is the safest course. If we wait ten or twenty years to make changes, the changes will need to be more drastic, and the opportunity for individuals to plan for their retirement needs will have been lost. The American people deserve early action to be able to plan for changes. The earlier we can determine the changes that must be made to the current program, the better off we will be.

When it comes to a program as important as Social Security, there are no such things as "minor" changes. Any change is going to impact on the lives of most Americans, and as such deserves serious consideration. However, the history of the program is one of evolution and change. As the program has evolved over the past decades, through the additions of the disability and Medicare programs and the changes of the 1977 and 1983 Amendments, so must it now evolve again.

Process For Reaching Consensus For Change

During President Clinton's State of the Union address, the President voiced his strong commitment to strengthening Social Security for generations to come. He has proposed that the Federal budget surpluses be reserved pending Social Security reform. In doing so, President Clinton has made it clear that he intends to work with Congress in a bipartisan effort to preserve the program.

Toward this end, the President is calling for a national dialogue this year on how we can best achieve this goal. The President has called on the American Association of Retired Persons and the Concord Coalition to hold jointly three or four regional nonpartisan forums throughout the country on Social Security. The President, Vice President, and members of the Cabinet will participate in these forums.

At the end of the year, the President will convene a conference on Social Security at the White House, followed by bipartisan negotiations with congressional leadership on how to best achieve Social

Security reform. This bipartisan, national debate can achieve, as the President has said, "a landmark for our generation--a Social Security system that is strong in the 21st century.

We need to be able to meet the challenges of the demographic changes I have just discussed and be sure that Social Security will be there for younger workers, just as it was for their grandparents and parents.

As we begin this dialogue, we need to reflect on what features have led to Social Security's success. The dialogue will most certainly be about how to address the challenges facing Social Security in the future, but it will also be about how we preserve and protect the accomplishments of the program that has served this nation so well for over sixty years.

First of all, Social Security is dependable. Social Security has been there each and every month. Millions of Americans count on the arrival of their Social Security benefit. Today, more than 90 percent of the elderly in this country receive Social Security. Americans of all ages must be able to count on Social Security in the future. We have an obligation to provide a dependable source of income that Americans can use to plan their financial future with confidence.

In addition, Social Security is efficient. Less than one penny of every dollar collected is used for administering the Social Security program. It is a program that is portable and it is a program that provides benefits that are indexed to inflation.

Social Security is also the greatest anti-poverty program ever created. Without Social Security, nearly 50 percent of today's elderly would be living in poverty. Social Security doesn't make people rich, but it gives Americans rightly deserved financial independence. This financial protection, however, is not just for the elderly. Social security also protects working families through disability and survivors insurance.

Social Security ensures that all workers receive an equitable benefit through a progressive benefit formula. It is a program that is universal and fair. Proportionally larger benefits are provided to lower income workers who will need it most.

Finally, Social Security is a public trust. Social Security spreads the risk associated with disability, premature death, and old age among the entire working population and provides a guaranteed benefit that is adequate and fair.

As we begin this dialogue, we would do well to question whether changes to the program preserve and protect these important accomplishments: whether Social Security continues to be a benefit people can count on; whether the elderly, disabled, and survivors of workers are protected from financial hardship; whether the program is efficient; whether the program is universal and fair; and whether the program is maintained as a basic public trust. The dialogue about how we ensure the solvency of Social Security in the 21st century will need to include these critically important questions.

Public Participation Critical

As President Clinton has said, we must inform Americans about Social Security and the issues confronting it. The President's proposal to conduct regional forums to raise public awareness of the problems facing Social Security acknowledges an important truth: the broad-based participation of the American public is critical to achieving a resolution of the long-term solvency issue. An accurate understanding of the facts is needed as the foundation for public discussion. We have been focusing our efforts on educating the public about the Social Security programs to put them in the best possible position to be able to enter into public debate about options for the future of Social Security.

What do I believe Americans should understand about our Social Security program? What is it about this program that reduced to essentials makes it of such importance to the American electorate?

I want all Americans to understand the economic facts about Social Security. Presently, the Social Security Trust Fund takes in more money than it spends, creating reserves to the Trust Fund. These reserves were designed to help pay for the future growth in the benefit rolls in the early part of the next century. Beginning in 2019, the Trust Fund will start declining and will be exhausted by 2029, if no changes are made to the current program. Even after the Trust Fund is exhausted, however, annual revenues will still be able to pay three-quarters of current-law benefits.

I want all Americans to understand what Social Security has meant to older Americans. The plight of older Americans used to be a national disgrace. Now, Social Security provides them with a solid measure of economic security even if they outlive the actuarial tables..... and their savings. It also provides many of them, and their children, the advantages that only living independently can offer.

I want all Americans to know that Social Security is more than a retirement program. I want younger people to know that not only will Social Security be there for them in the future, but it is there for them NOW. How many people know that 1 out of every 3 Social Security beneficiaries is not a retiree but a disabled worker, or a member of his or her family, or a survivor of a worker who has died? They need to know that.

I want all Americans to know that Social Security was never intended to provide for all of a worker's retirement income needs. Pensions and personal savings have always been and should always be part of a sound financial retirement plan.

I want all Americans to understand that the changing demographics of the country are the primary driver of the need for change. There is an unalterable dynamic at work: by 2030, there will be nearly twice as many older Americans as there are today, putting great strains on our retirement system.

Finally, I want all Americans to understand one important fact: there is no free lunch. As attractive as any option for change might be, there are tradeoffs that must be accepted if we choose it. These are complex issues. The advantages and disadvantages of each will have to be examined and discussed.

Let me remind you again that the purpose of public education is to enable members of our society to participate in an earnest and informed dialogue about this most important issue. We need to hear from Americans on this issue. Their views are clearly important because Social Security is their program.

Conclusion

I strongly support the President's initiatives to begin to restore the Social Security program to long-term fiscal health. What is needed now is a full and open public debate. I would like to emphasize, however, that as we begin to seriously address these issues, we must continue to preserve fiscal discipline and not increase the Federal deficit. For the sake of our children and future generations, we must not jeopardize the progress we have made in balancing the budget.

Part of SSA's role in this process will be to continue the process of educating the public about Social Security: how it works, what it has achieved, and the nature of the long-range actuarial problem. The public discussion must occur not just in congressional hearing rooms but in the living rooms and kitchens throughout the country.

This Administration and Congress have demonstrated that they are capable of coming together in a bipartisan way to fashion solutions important to this nation, and I look forward to working closely with the members of this Committee in that spirit on this important endeavor.