



ROBERT ROACH, JR.
PRESIDENT OF THE ALLIANCE FOR RETIRED AMERICANS
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SUBCOMMITTEE ON SOCIAL SECURITY

HEARING ON

“THE FIERCE URGENCY OF NOW - SOCIAL SECURITY 2100: A Sacred Trust”

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ALLIANCE FOR RETIRED AMERICANS
815 16TH STREET, NW
WASHINGTON, DC 20006
www.retiredamericans.org



The Alliance for Retired Americans appreciates the opportunity to testify before the Committee on Ways and Means Subcommittee on Social Security regarding the December 7, 2021 hearing titled “The Fierce Urgency of Now - Social Security 2100: A Sacred Trust.” This legislation will help expand benefits for all Social Security beneficiaries, extend the solvency of the Social Security trust fund and improve the Social Security System. It is imperative that Congress act to enact the Social Security 2100 Act.

The Alliance is a national grassroots advocacy organization with more than 4.4 million members nationwide. Headquartered in Washington, D.C., the Alliance and its 39 state chapters are working to strengthen retirement security for all Americans.

The disappearance of traditional pensions and lack of retirement savings have forced more and more Americans to rely on Social Security. Nearly 50% of retired Americans today rely on Social Security for half their income and 1 in 4 Americans over 65 rely on Social Security for 90% of their income. While ever more important, Social Security benefits are quite modest. The average Social Security benefit for 2021 is just \$1,543 a month or about \$18,516 a year.

To make matters worse, Social Security payments are not keeping up with inflation. The Social Security cost-of-living adjustment, which was created in 1972 to help retirees weather inflation and keep them out of poverty, is not adequate and not representative of the true measure of inflation that seniors face. The inadequacy of the benefits coupled and with insufficient COLAs resulted in 8.9% of seniors over 65 living in poverty in 2019. The measure is even larger (12.8%) if you use the Census Bureau’s Supplemental Poverty rate, which factors in out-of-pocket medical expenses. The poverty rate is even higher for unmarried men and women over 65: 14.4% for widows, 15.8% for divorced women, 16.9% for never married women and 18.5% for never married men. This number is higher still if you look at race. Hispanics and Blacks experience poverty at twice the poverty rate of whites (17.1% for Hispanics, 18% for Blacks v. 6.8% for Whites).

The skyrocketing costs of prescription drugs is also putting pressure on seniors’ finances. Twenty-three percent of seniors say they have difficulty paying for their medications. These seniors often have to choose between food and medicine to make ends meet. Other seniors report rationing or not filling a prescription their doctor prescribed, both of which have serious health consequences. While Congress is working to enact Medicare drug negotiations and other policies to help lower drug costs under the Build Back Better Act, high price drugs that don’t qualify for negotiation will continue to eat away at seniors’ finances.

Of course, American seniors have borne the brunt of the COVID-19 pandemic; 80% of Americans who have died from the disease were over the age of 65. The percentage of older Americans who retired early during the pandemic also increased, with an additional 1.7 million men and women retiring early which puts their retirement security at risk. The rise in early retirement disproportionately affected low-income and less-educated Americans. The rate of retirement among adults aged 55-64 without a college education rose 5%, while it fell 4% for those with a college degree. The COVID pandemic also impacted a large number of women, with 4.5 million women losing their job or having to leave the workforce to care for their children. These low-income workers and women will lose billions in substantial earnings and as a result will receive lower Social Security benefits in retirement.

The pandemic has accelerated the decline in retirement security, which is weighing on Americans. A May Gallup poll shows that 53% of Americans expect not to have enough money to live comfortably when they retire -- and it is critical for Congress to address this crisis. The Social Security 2100 Act does just that. The bill expands benefits for five years through the following provisions:

Providing an across-the-board benefit increase for all current and future beneficiaries - Expanding benefits for everyone will give retirees a livable wage and will boost the economy, since retirees spend most of their benefits in the local economy.

Adopting the CPI -E - The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), the current measure used to calculate the annual cost-of-living, does not accurately measure the items seniors purchase. Seniors over 65 spend three times more on health care, including prescription drugs, than a young person, yet this is not factored into the formula. By using the Consumer Price Index for the Elderly (CPI-E), retirees will be better protected from inflation.

Providing a bump up in benefits for older retirees – With Social Security cost-of-living adjustment not keeping up with inflation, long-term retirees see the value of their benefits erode over time. The Social Security 2100 provides a 5% increase to beneficiaries who have been retired for more than 15 years helping improve their retirement security.

Increasing benefits for low-wage workers - The special minimum benefit will be increased to 125% of the federal poverty level and tied to wage levels, ensuring its buying power does not erode over time.

Improving widow and widowers benefits - Widows and widowers often end up in poverty when they lose their spouse due to loss of household income. By allowing the widows and widowers to keep 75% of the household Social Security income when their spouse dies, this provision can keep them whole.

Repealing the WEP and GPO - Currently, nearly 2.3 million public sector retirees with pensions who also contributed to Social Security and spouses or survivors who have pensions and are entitled to their spouses' Social Security benefits lose part or all of their Social Security to the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). Twenty-five percent of state and local public employees nationwide, including millions of retired federal, state and local government employees who worked as teachers, police officers, firefighters and general employees and their survivors are affected by these provisions. By repealing the WEP and GPO, public retirees will be able to keep their hard earned Social Security benefits.

Eliminates the 5-month Medicare Waiting Period – This legislation will eliminate the 5-month waiting period that disabled beneficiaries must wait to receive Medicare benefits.

Expand Benefits for Grandchildren Living with Grandparents or Relative – Makes it easier for children living with grandparents or relatives to qualify for dependent benefits.

Including a hold harmless provision - When a beneficiary receives an increase in their Social Security benefit, it is counted as income, causing beneficiaries to lose other federal benefits. By including the hold harmless provision, we can ensure that Social Security beneficiaries will not lose their SSI, Medicaid, CHIP or SNAP benefits.

Raising the income threshold above which Social Security must be included for income tax purposes – This provision raises the threshold, for the first time in nearly 40 years, at which point Social Security benefits must be included for taxing purposes, thus reducing taxes for certain beneficiaries.

The Social Security 2100 Act will also improve the Social Security System by combining the Old Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund and ensuring that solvency of both programs. The bill clarifies that the Social Security Administration must mail out the benefit statements on a yearly basis to every worker 25 and older, unless they sign up to receive online. This will permit workers to fix any errors on their statements, as well as inform them of the benefits they are entitled to receive. In addition, the bill prevents the Social Security Administration from closing any field offices, unless certain criteria are met like providing advance public notice and an opportunity for public input.

Finally, the bill extends the solvency of the Social Security trust fund by five years. This is accomplished by lifting the payroll cap, so that higher income Americans pay their fair share. Currently, Americans pay Social Security FICA contributions on incomes up to \$142,800. By lifting the cap, we can increase benefits and extend the solvency of the Social Security program.