CONSORTIUM FOR CITIZENS WITH DISABILITIES

Key Points about the 2015 Social Security Trustees Report

The most important take-away from the 2015 Social Security Trustees Report is that our Social Security system continues to work, and work well, for the American people. No institution does more to protect the financial security and dignity of Americans in retirement, in disability, or when a worker dies and is survived by their young children and spouse.

Our Social Security system must be maintained to keep it strong. Social Security is vital to our nation's well-being. To make sure that it remains so, the Social Security Trustees issue an annual report on its income and outlays for the next 75 years. When shortfalls are projected, they should be addressed thoughtfully and sooner rather than later.

The 2015 Trustees Report finds that our Social Security system has large reserves. In 2014 Social Security took in roughly $25 billion more (in total income and interest) than it paid out. Its reserves have grown year after year, even during the Great Recession. The result of decades of foresight and planning, Social Security's reserves were $2.79 trillion at the beginning of 2015, and are projected to grow to $2.86 trillion at the beginning of 2020. Social Security has such large reserves because it has had *more than enough* income from its sources of revenue—payroll contributions, interest payments on investments in U.S. Treasury bonds, and taxation of benefits—to cover scheduled benefits.

The long-term projections of the 2015 Trustees Report improved slightly from 2014 with exhaustion of the combined Trust Funds occurring one year later. Our Social Security system can continue to pay all scheduled old age, survivors, and disability benefits until 2034, one year later than projected in 2014. With modest increases in revenue, Social Security will be able to pay full benefits throughout the century and beyond. The 2015 Trustees Report also continues to project that the Disability Insurance (DI) trust fund by itself could continue to pay full benefits until the end of 2016, at which point if no action is taken the DI trust fund will be able to pay about 81 percent of scheduled benefits.

Social Security does not, and cannot contribute to the deficit. Social Security is self-financing, and by law, it cannot borrow so it cannot contribute to the federal deficit or debt. Cutting already modest benefits would not reduce the federal deficit or debt by a penny.

Some will try to use the projected reserve depletion to force cuts in Social Security and especially in Social Security Disability Insurance (SSDI). This is hostage taking of the worst kind. The projected shortfalls have been predicted for decades and are no surprise. In 1995, after Congress last addressed Social Security's finances, the Trustees projected that action would again be needed in 2016. The 2015 Trustees Report highlights that Social Security's finances are working as expected.

Like the rest of our Social Security system, the long-term growth in SSDI has been predicted for many years and is largely due to demographics. The baby boomers are now in their high disability years and compared with several decades ago, more workers are now insured for SSDI due to a growing workforce and women entering the workforce in large numbers in the 1970s and 1980s. The rise in

Social Security's full retirement age – from 65 to 66 – has also increased costs for the Disability Insurance trust fund, since disabled workers receiving SSDI switch over to Social Security retirement benefits when they reach full retirement age. In December 2014, over 466,000 people age 65 or older collected disabled-worker benefits (over 5 percent of SSDI beneficiaries) while in the past they would have received retirement benefits instead. **Importantly, growth in SSDI has already begun to level off and is projected to decline further as the baby boomers age into retirement**.

Congress has traditionally reallocated payroll tax revenues across the OASI and DI trust funds to address projected shortfalls. Action is once again needed to ensure that the DI trust fund can continue to pay full scheduled benefits. Congress has reallocated payroll tax revenues between the OASI and DI trust funds 11 times since Social Security was enacted – about evenly in both directions. A modest reallocation of existing payroll taxes, enacted prior to 2016, would allow both programs to pay full scheduled benefits through 2034 — their current combined depletion date. Reallocation can put OASI and DI on an even track so that Congress can take action to ensure the long-term solvency of both trust funds together.

Modest adjustments to the contributions of workers and employers can ensure the long-term solvency of the Social Security system. Surveys consistently show that Americans value Social Security highly, and are willing to pay for it. One option is raising the Social Security payroll tax cap so that the 6 percent of workers who earn over $118,500 a year contribute on all of their wages just like everyone else. Another option is to modestly increase the payroll tax rate paid by employers and workers, by about 1 percent. If implemented right away, either approach on its own would be nearly sufficient to ensure full 75-year solvency. The CCD Social Security Task Force opposes benefit cuts and supports thoughtful approaches to ensuring Social Security's long-term solvency, while preserving the vital role that Social Security plays in the lives of people with disabilities and their families.

Maintaining our Social Security system isn't just about making the math work; it's about strengthening economic security and dignity for all Americans, including people with disabilities and their families. Benefits for workers with disabilities are modest but vital, averaging just over $1,165 a month in May 2015. About 3 in 10 men and 1 in 4 women experience disability before reaching full retirement age. More than half of SSDI beneficiaries rely on Social Security for at least 75 percent of their income, and the vast majority receive 90 percent or more of their income from these benefits.

Social Security is a lifeline for people with disabilities, seniors, and their families. Social Security is our most reliable source of disability, life, and retirement insurance. Access to private disability and retirement insurance is extremely limited. Only about one-third of workers have long-term disability insurance through their employer, traditional pension protections are greatly diminished, and 401(k) plans are unreliable. The alternatives, if benefits were cut or eliminated, are often unthinkable. Too often, people talk about making changes to our Social Security system without considering the impact such changes would have on real people. **It is vital that we strengthen and preserve our nation's Social Security system for all Americans, including people with disabilities and their families.**

Talking points prepared by the CCD Social Security Task Force, July 22, 2015.

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