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Voice Of the People

CITIZEN CABINET INITIATIVE

Fixing Social Security

A Survey of the Citizen Cabinet Conducted by

UNIVERSITY OF MARYLAND 1856

PROGRAM FOR PUBLIC CONSULTATION

SCHOOL OF PUBLIC POLICY, UNIVERSITY OF MARYLAND

April 2016

Methodology

Field Dates: February 16, 2016 – March 24, 2016

Fielding Company: Nielsen Scarborough

Total Respondents: 6,388

National Sample: 4,591

Margin of Error: +/- 1.4%

Oversamples: 1,797

- **California:** 566 (MoE=4.1%)
- **Florida:** 657 (MoE=3.8%)
- **New York:** 594 (MoE=4.0%)
- **Ohio:** 434 (MoE=4.7%)
- **Texas:** 519 (MoE=4.3%)

<u>Maryland, Oklahoma, and Virginia</u>

Fielding Company: Communications for Research

Maryland: 535 (MoE=4.2%)

Field Dates: November 4, 2014 – April 8, 2015

Oklahoma: 506 (MoE=4.4%)

Field Dates: October 13, 2014 – April 9, 2015

Virginia: 525 (MoE=4.2%)

Field Dates: October 9, 2014 – April 7, 2015

Initial Briefing

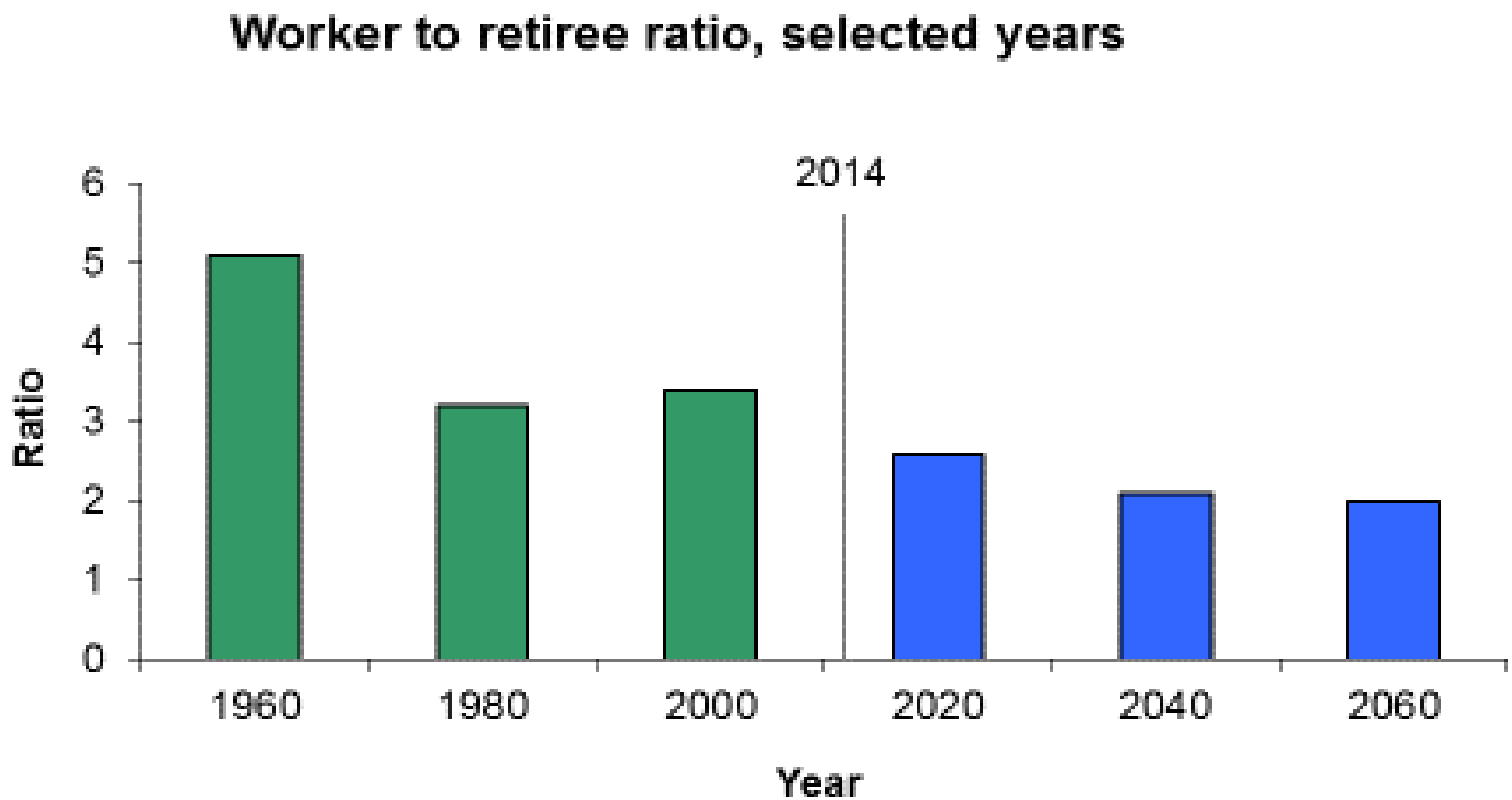
General Briefing on Social Security

- Background and basics of program
  - Amount of benefits
  - Progressivity of benefits

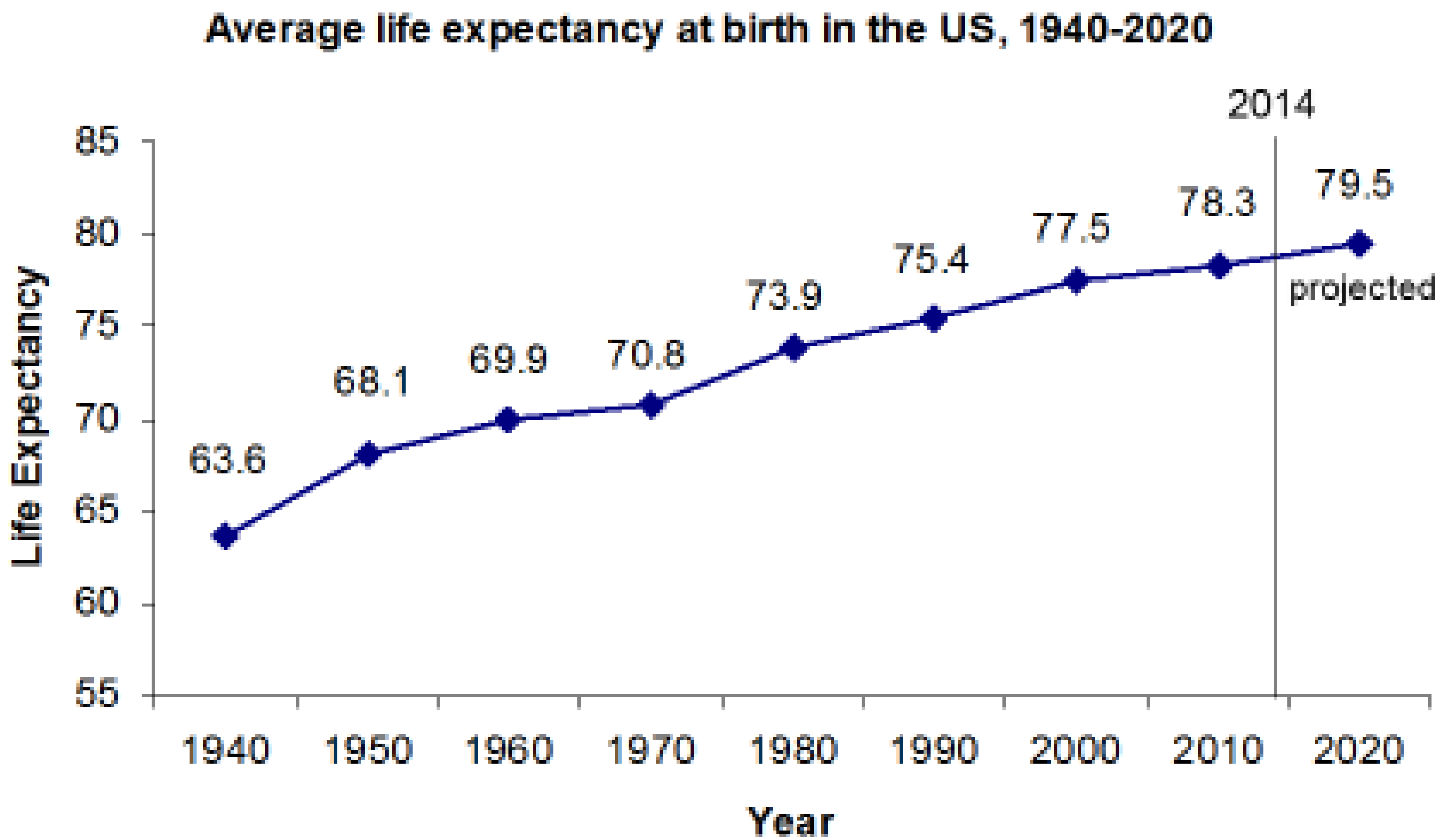
Briefing on Social Security Shortfall

- Time frame and magnitude
- Causes: Changing worker-retiree ratio,
  - Americans living longer
  - Seniors as a larger share of population

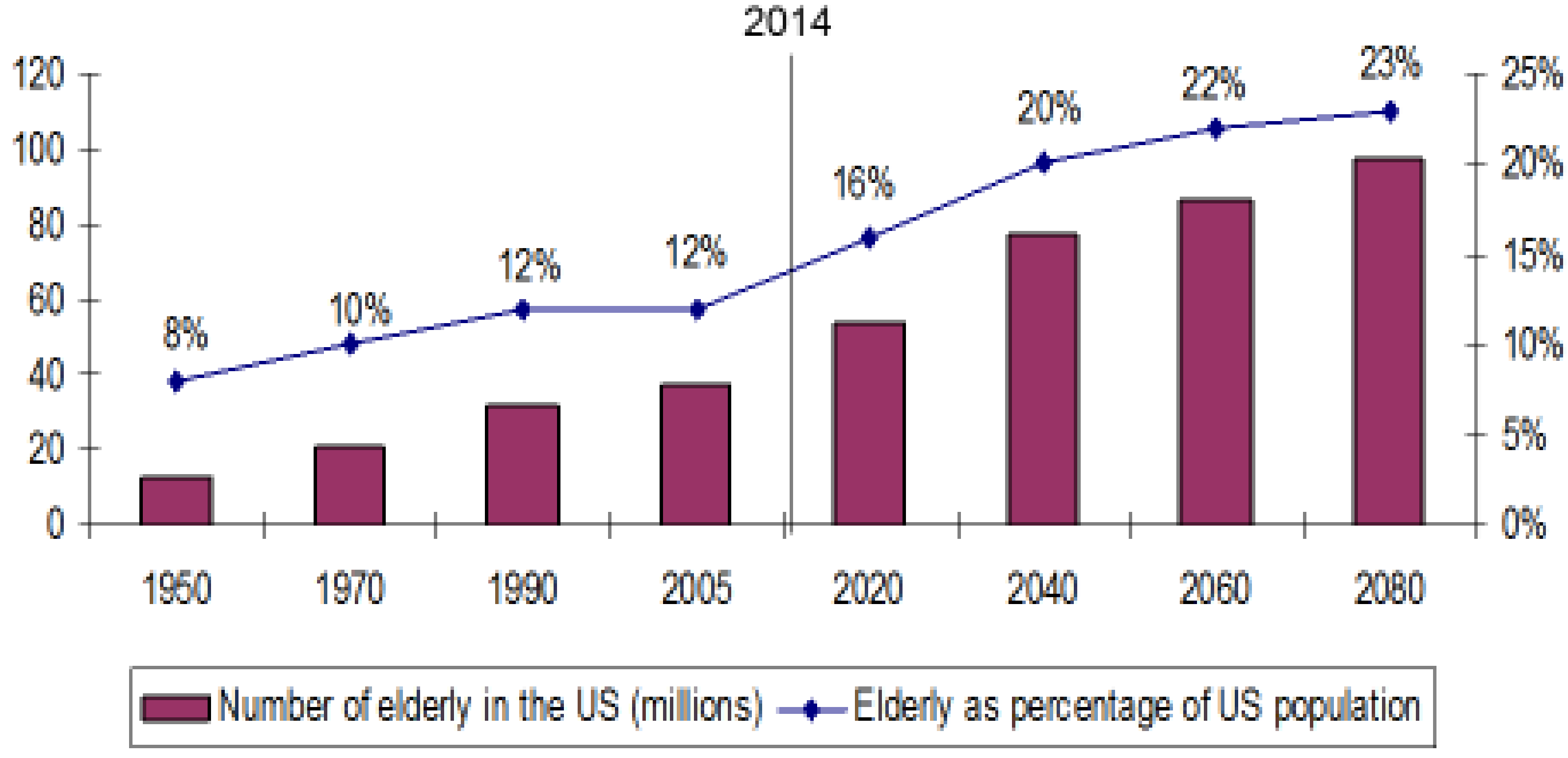
Ratio of Active Workers for each Social Security Retiree Over Time



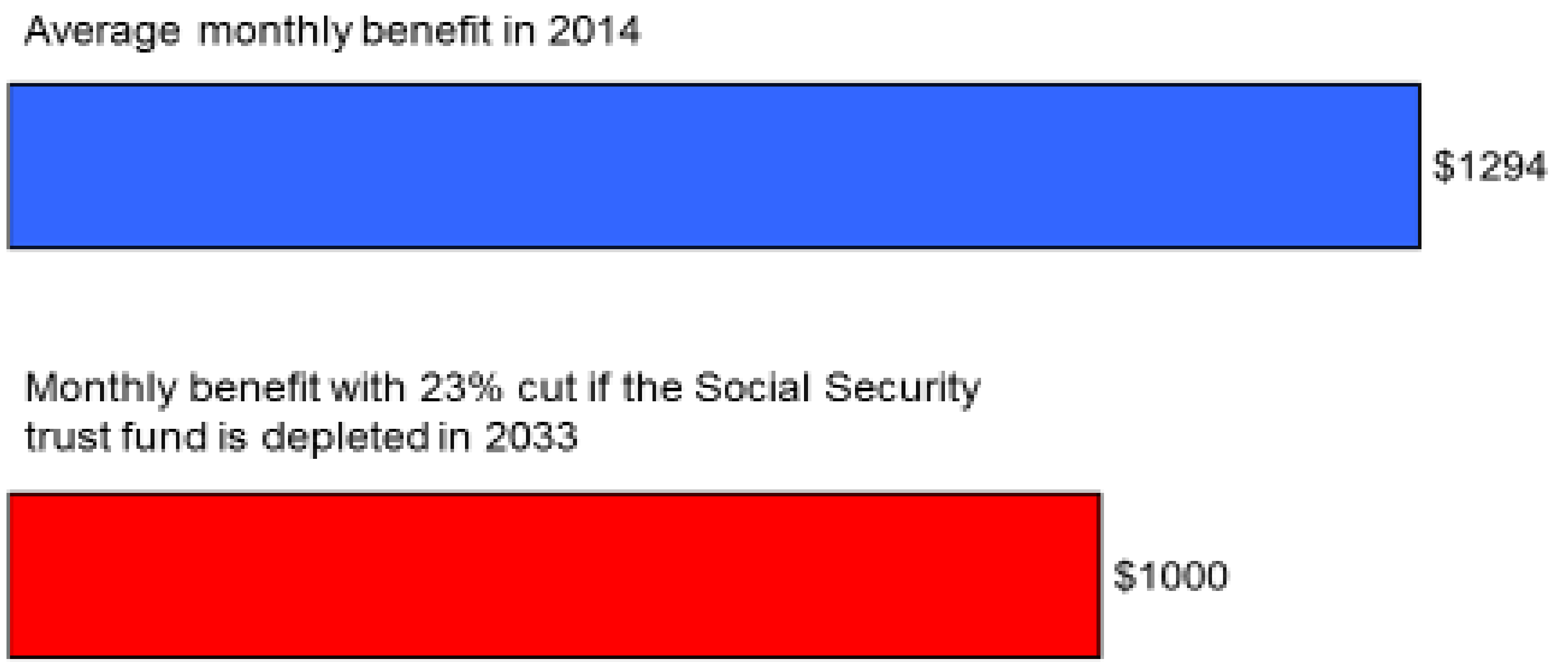
Americans Living Longer



Projected Population of Elderly People (aged 65 and older), 1950-2080



Impact of Shortfall if No Action is Taken: Seniors' Monthly Benefit



Reform Options Assessed

Addressing the Shortfall

- Reducing benefits for higher earners
- Raising full retirement age
- Raising cap on income subject to payroll tax
- Raising payroll tax rate

Possible Benefit Increases

- Increasing minimum benefit
- Increasing benefits for the very old

COLA Alternatives

- Chained CPI
- CPI based on what elderly tend to buy

Design

- Options explained, including effect on shortfall
- Evaluate Pro and Con arguments
- Make initial assessment (0-10 scale)
- Finally, all options presented in one spread sheet
- Respondent makes final recommendations, with constant feedback about impact on shortfall

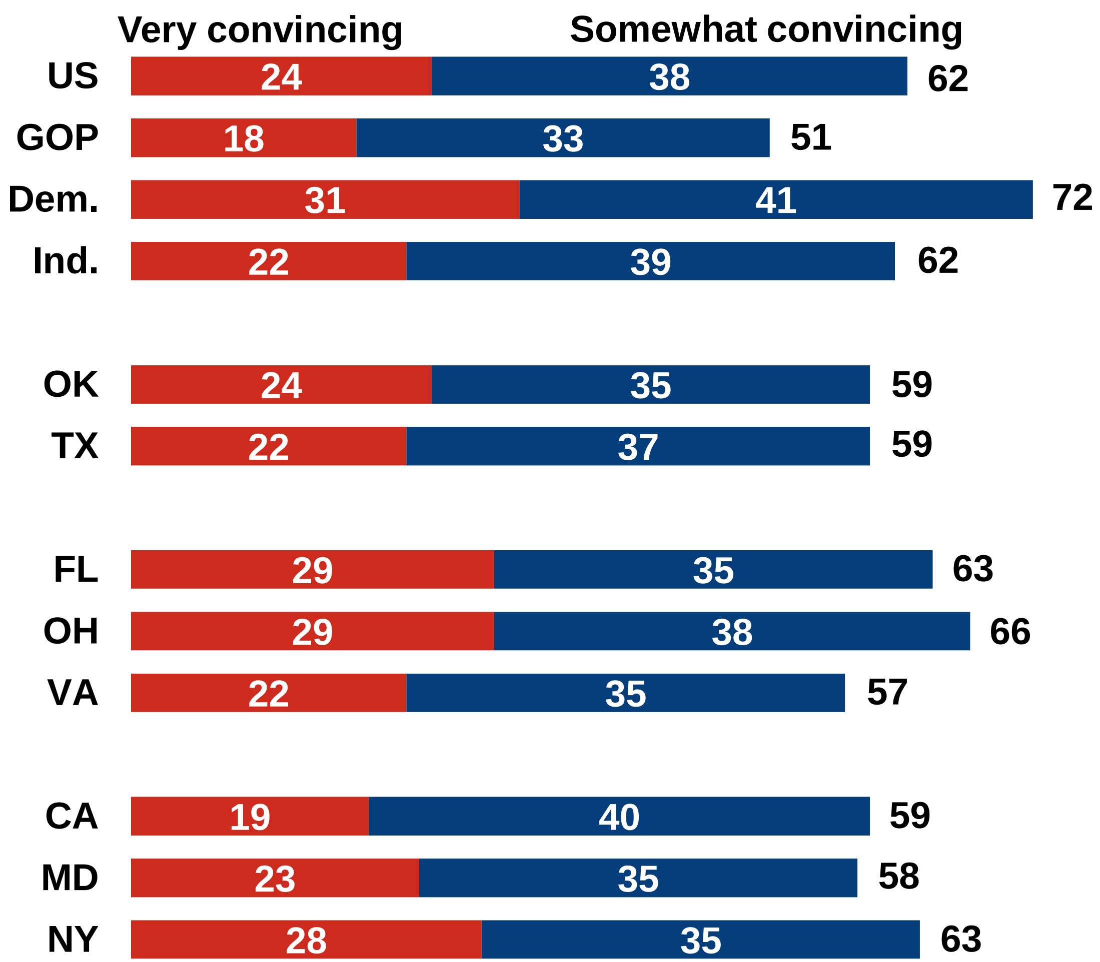
Addressing the Shortfall

Reducing Benefits for Higher Earners

Option: Reducing degree of increases in benefits for those with higher lifetime earnings

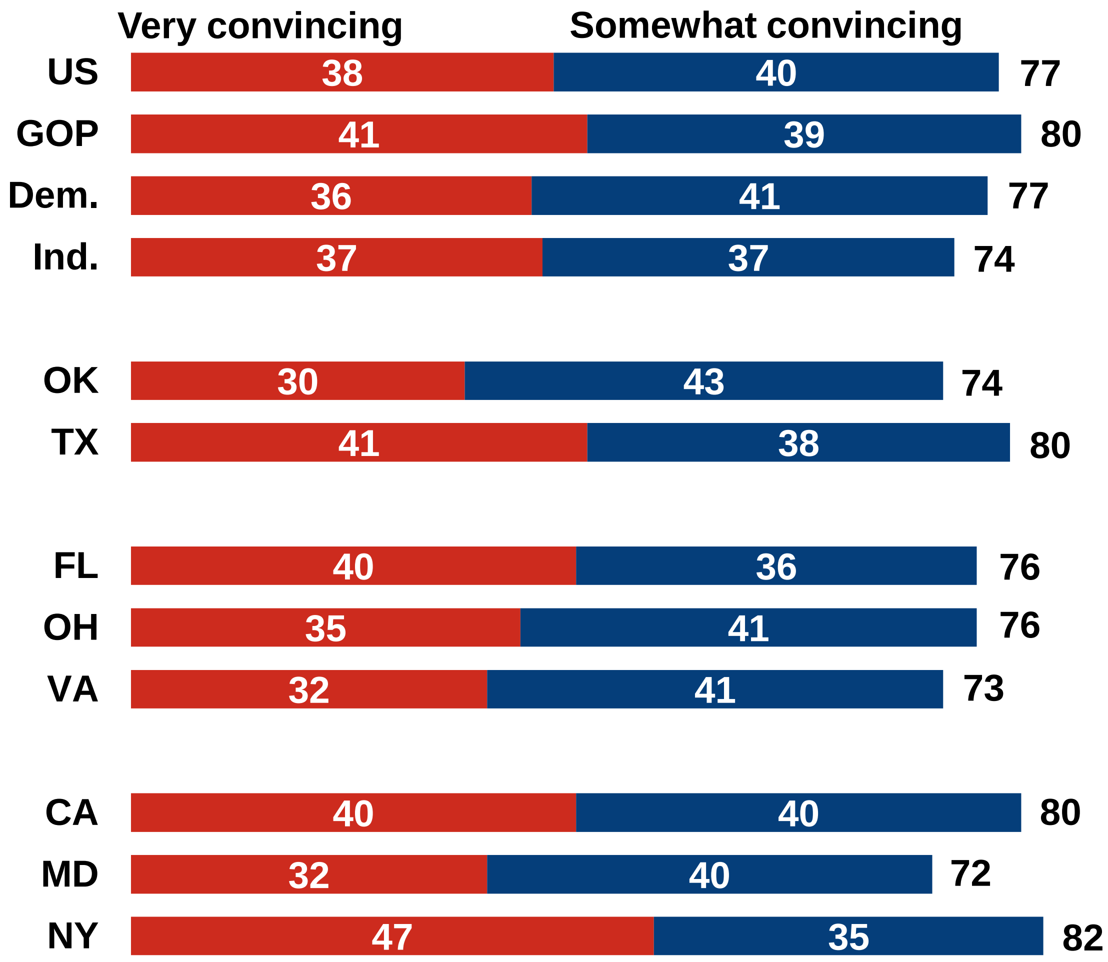
Pro: Reducing Benefits

We have to cover the Social Security shortfall in one way or another. Wealthier retirees have other ways to fund their retirement, such as pensions and savings. But right now they get benefits that are higher than other people. This gap should be reduced so that their benefits are more like others. It's only fair.

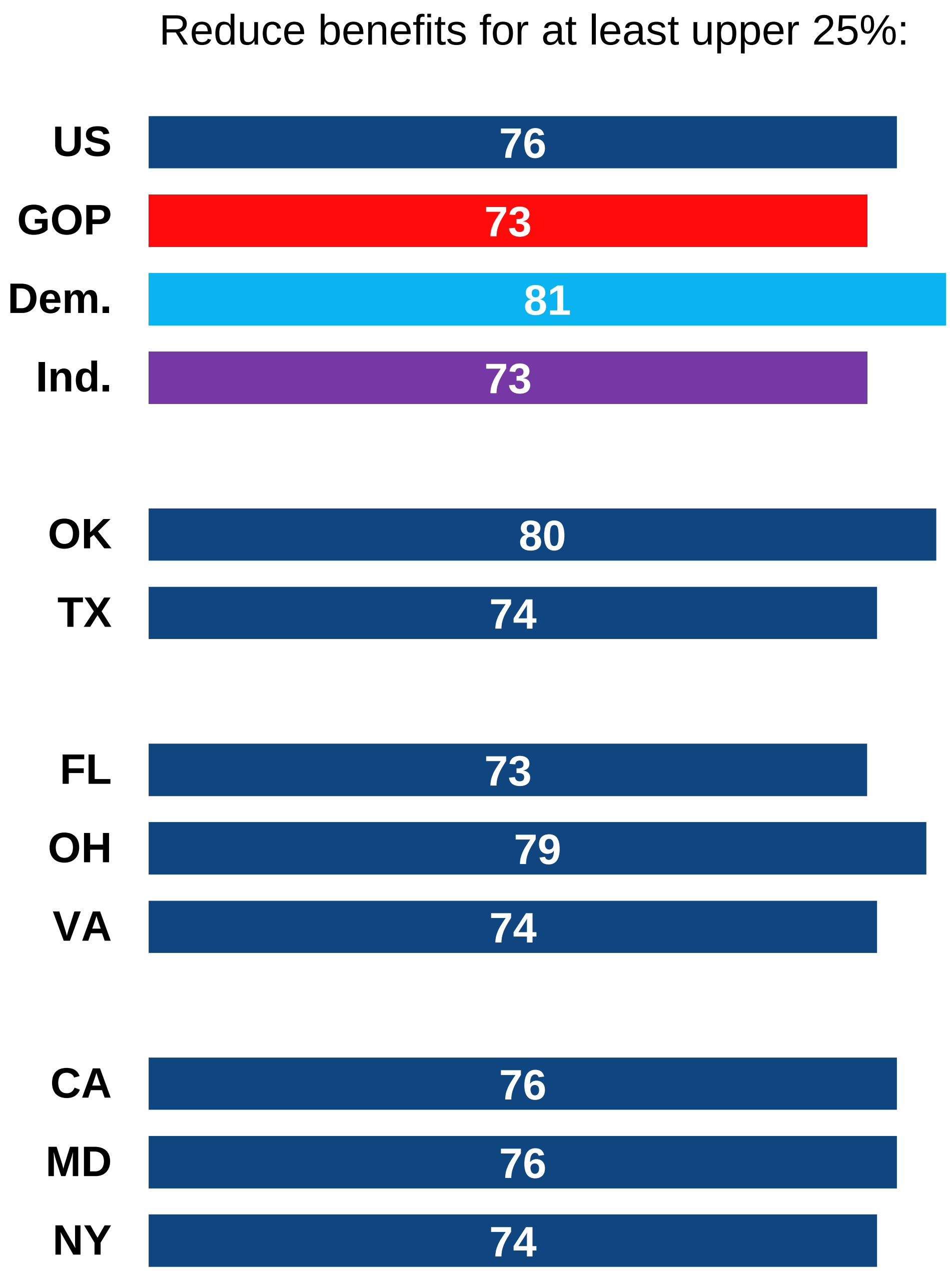


Con: Reducing Benefits

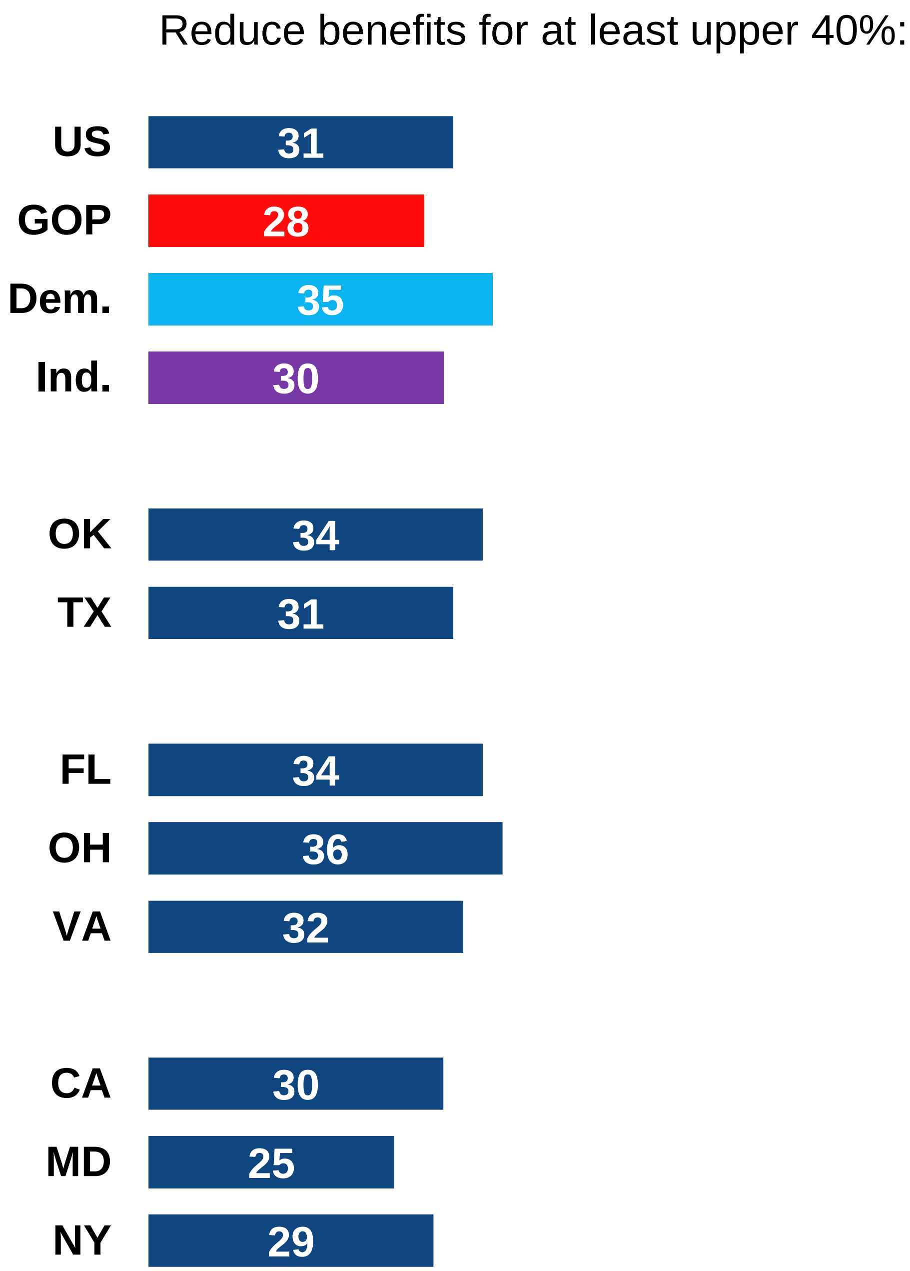
Many of the proposals for reducing benefits based on income would end up hurting some people who are part of the middle class, particularly people who live in areas of the country where the cost of living is high. We should not change Social Security in a way that forces seniors to lower their quality of life.



Final Recommendation: Reducing Benefits



Final Recommendation: Reducing Benefits

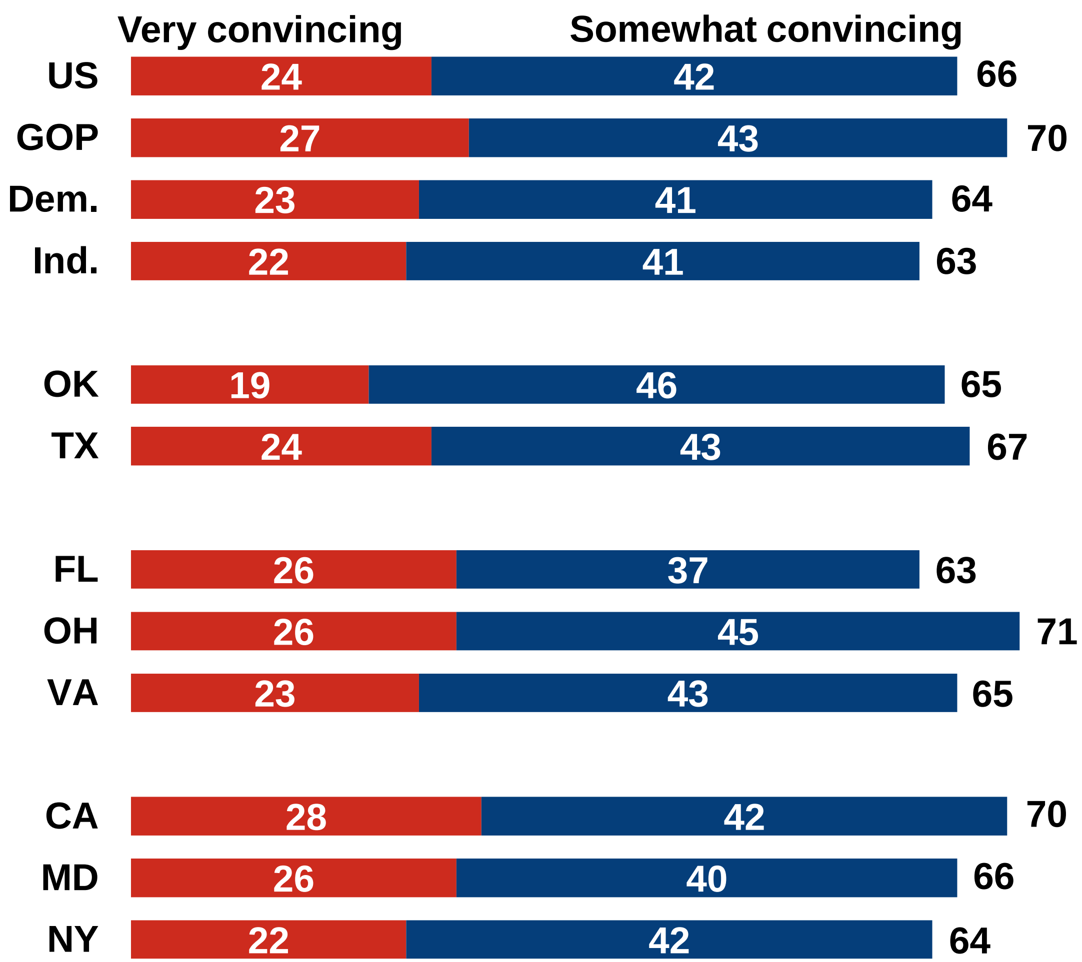


Raising Full Retirement Age

Option: Continuing to raise the full retirement age two months each year beyond 2027 when it reaches age 67

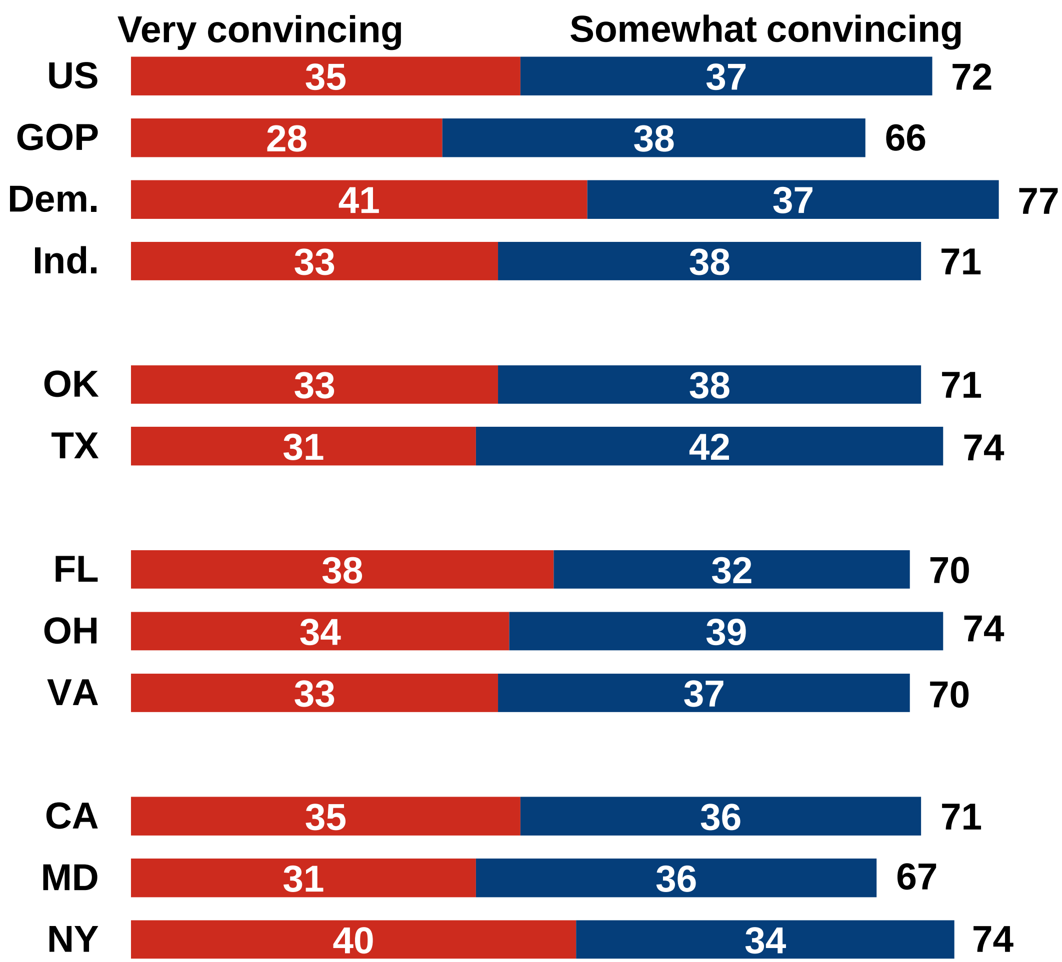
Pro: Raising Retirement Age

People at 66 are now much healthier than in the past and most of the work people do is much less physically demanding, so it is appropriate for people to work a little bit longer before retiring. Raising the retirement age is a common-sense response to how life has changed in the modern era.

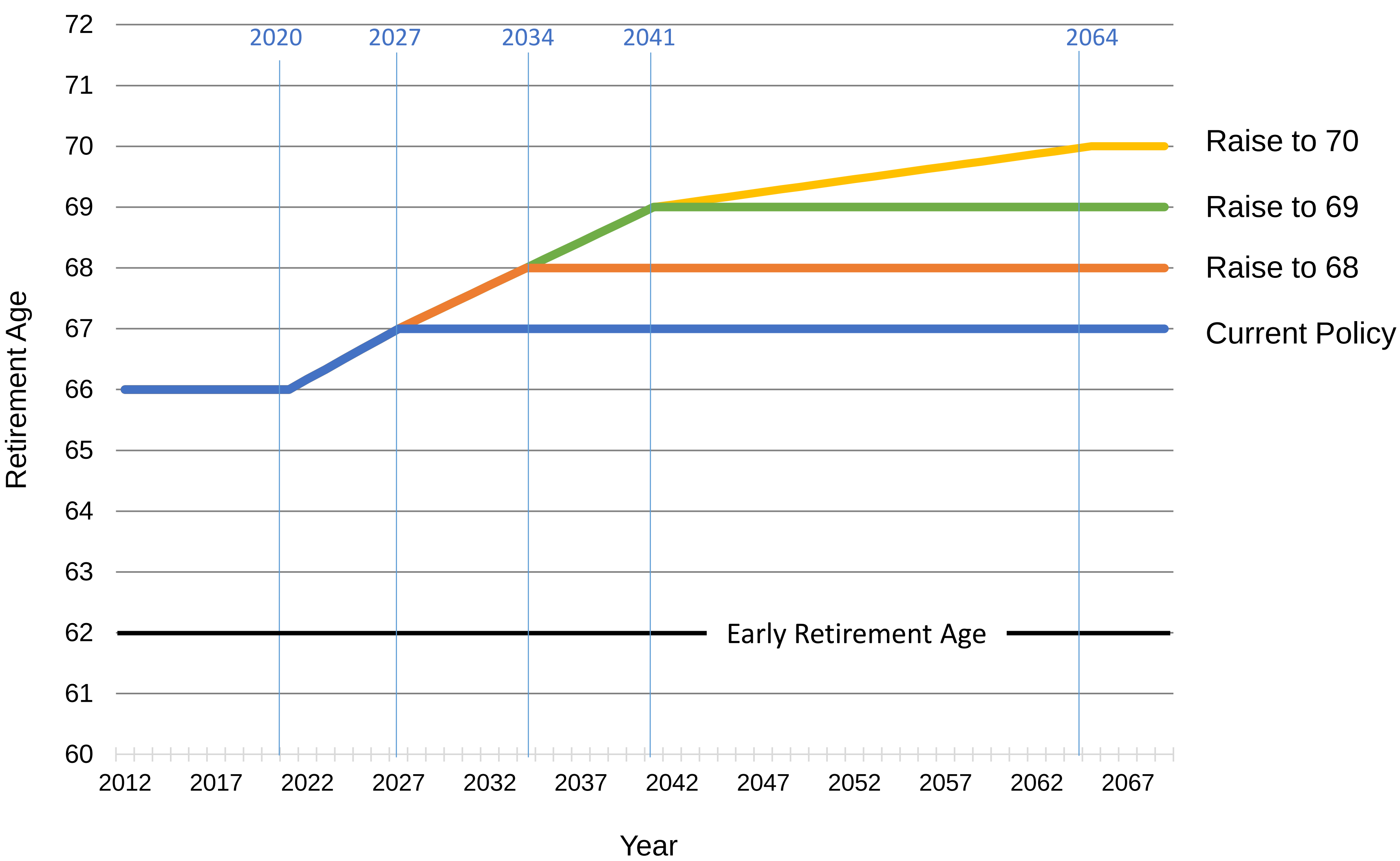


Con: Raising Retirement Age

Raising the retirement age is unfair because many workers in their 60s still hold physically demanding jobs—blue-collar jobs, or retail jobs where they are on their feet all day. For them, it is already a stretch for the retirement age to rise to 67 as planned; it should not rise any further.

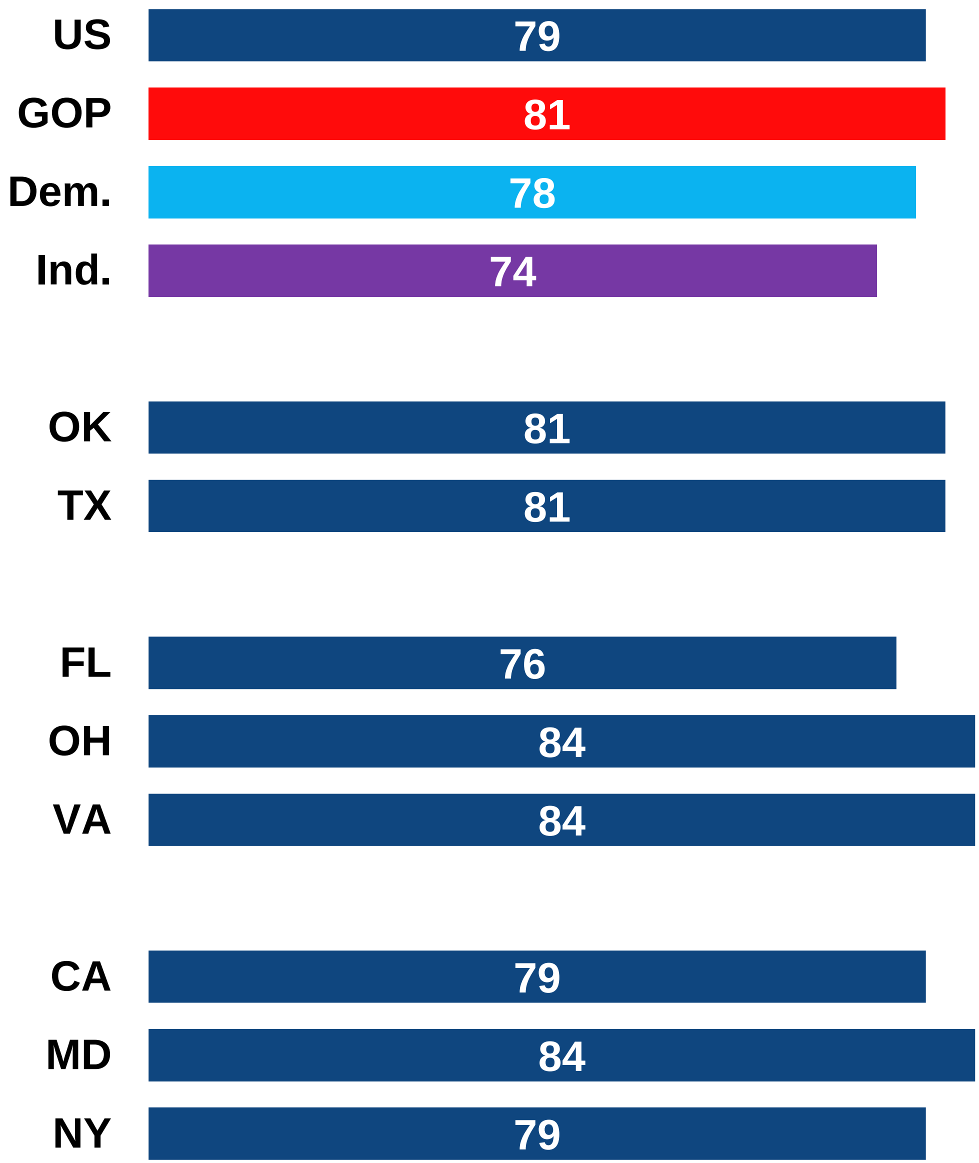


Raising the Retirement Age

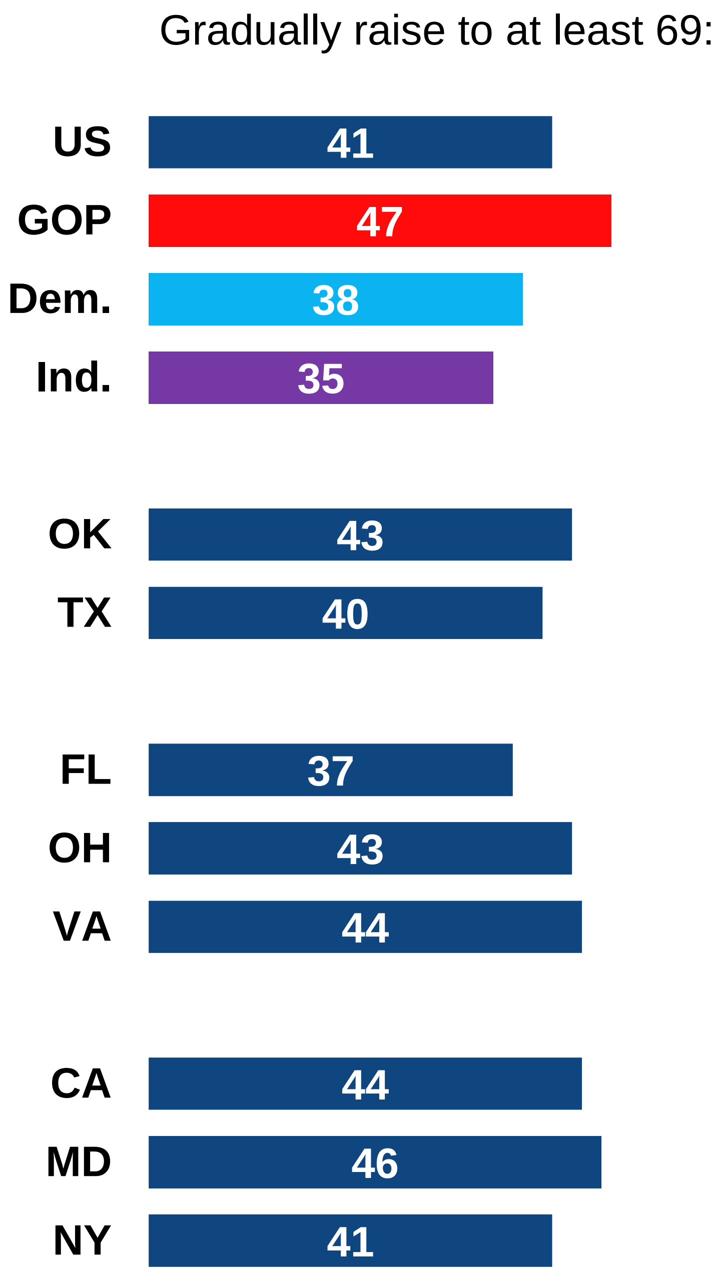


Final Recommendation: Raising Retirement Age

Gradually raise to at least 68:



Final Recommendation: Raising Retirement Age

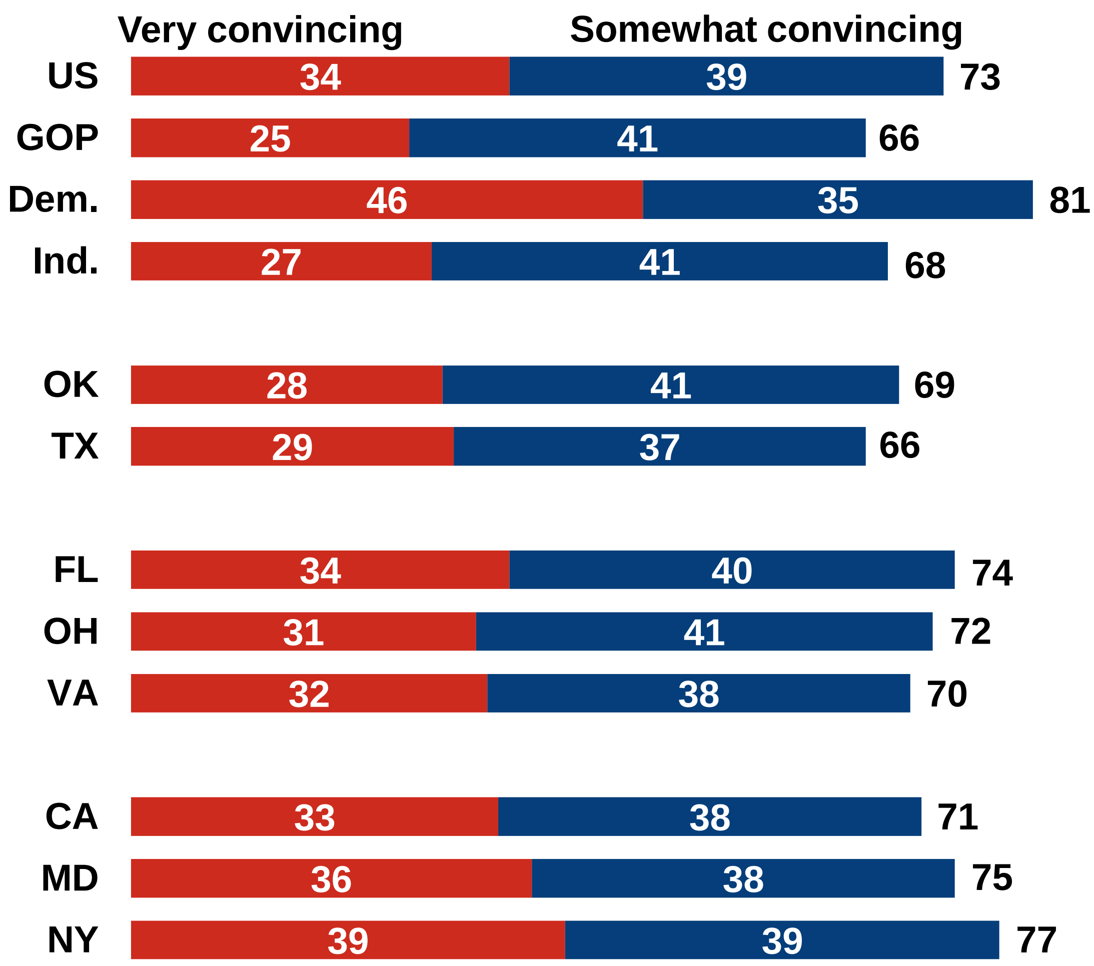


Raising or Eliminating Cap on Income Subject to Payroll Tax

Options: Raising cap to $215,000 or eliminate entirely

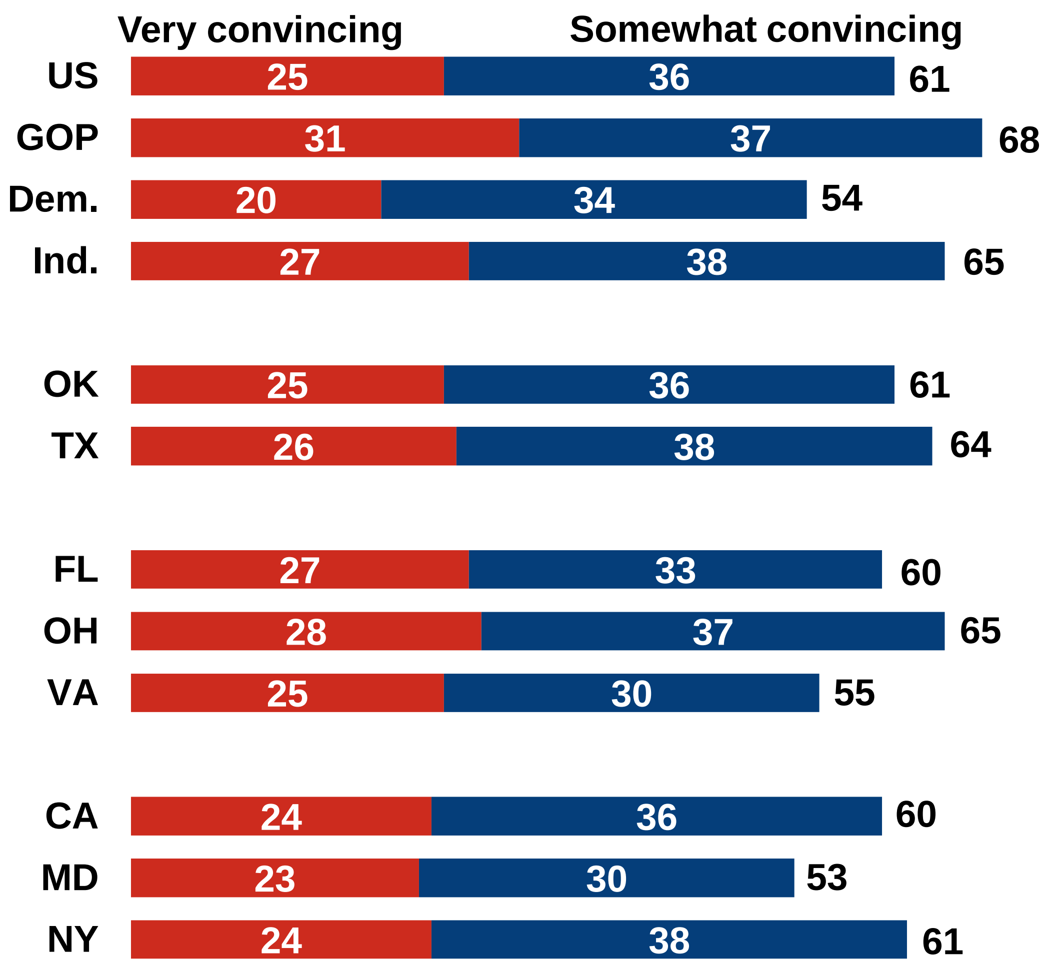
Pro: Raising the Cap

People who are well off have benefited from all the great things about the American economic system. It is only fair that they should contribute more and they can surely afford it. Remember, with this change they will also get higher Social Security benefits.



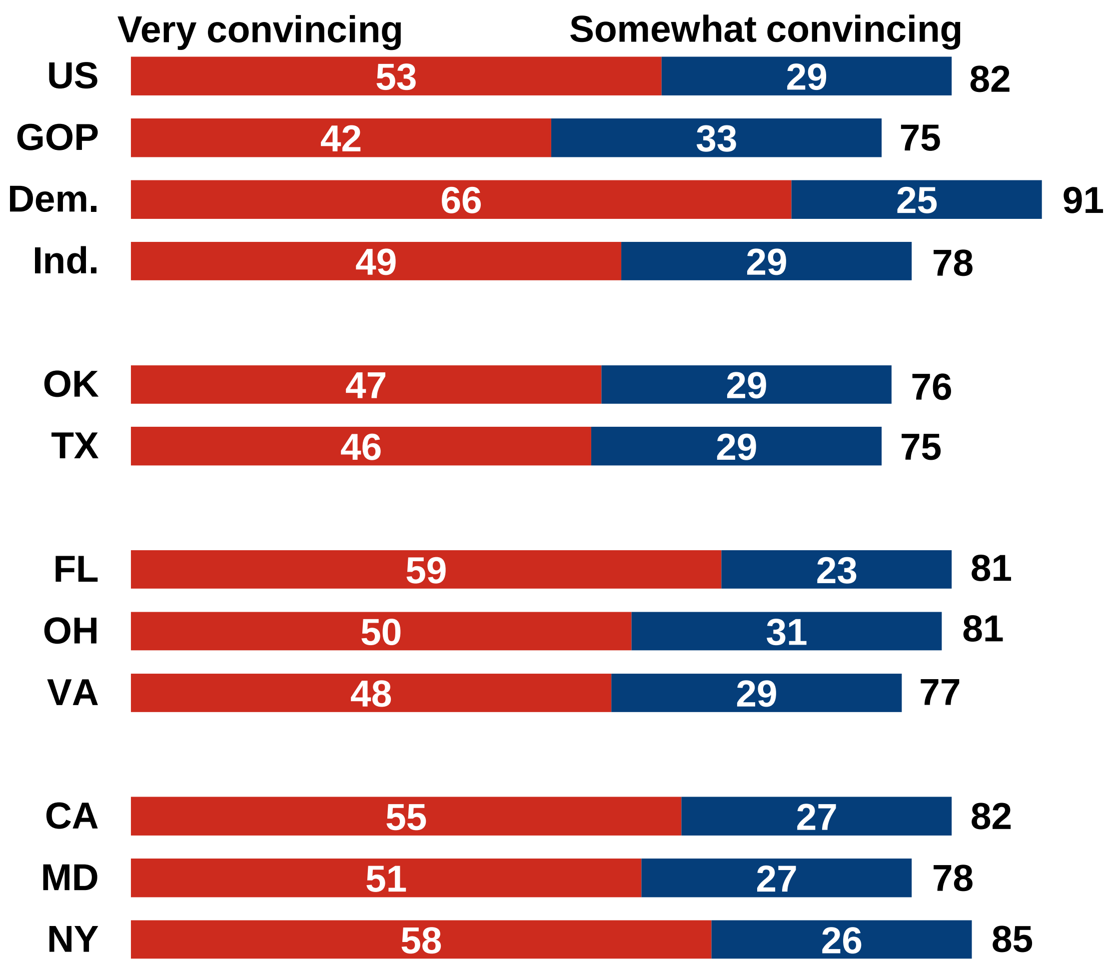
Con: Raising the Cap

In general, increasing taxes is a serious mistake. It reduces the amount that Americans have to spend on their family's food, housing, clothes, education, etc. Over time this would cause a hefty tax increase for some taxpayers, many of whom are not really wealthy. It would especially hurt the self-employed and certain smaller business owners.



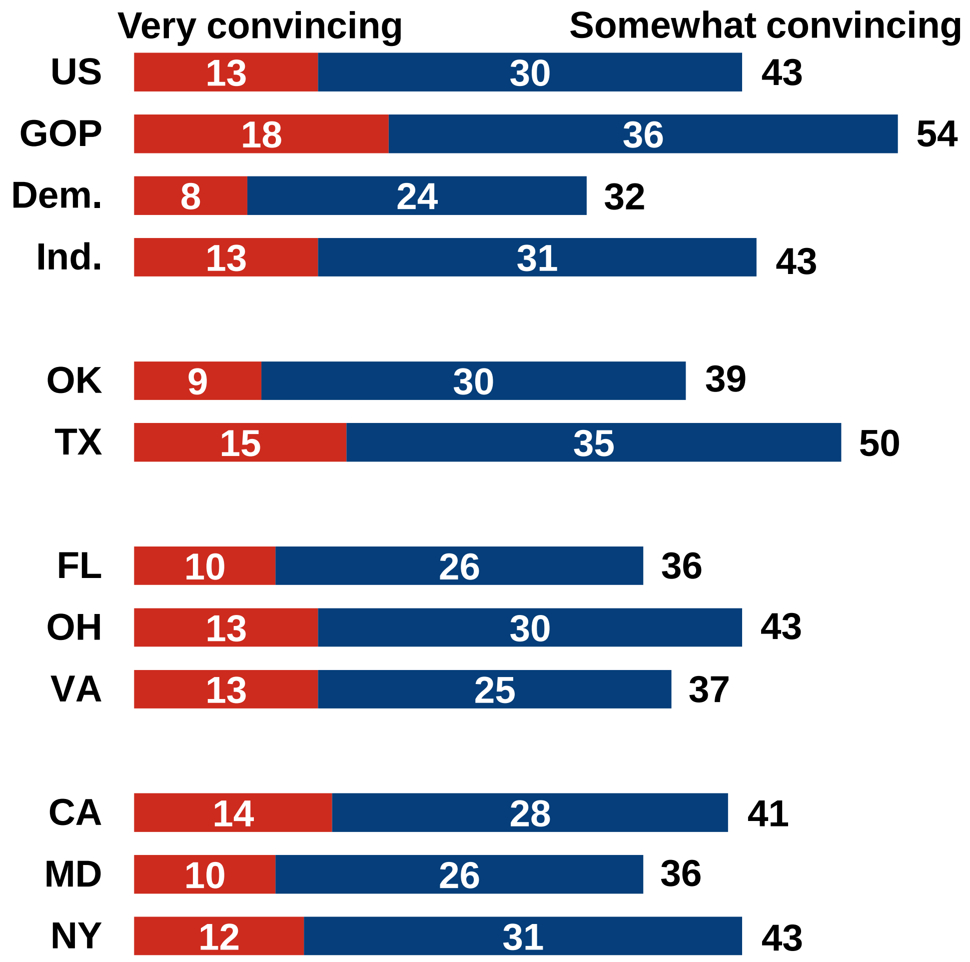
Pro: Eliminating the Cap

The incomes of the wealthy have been growing by leaps and bounds, while the incomes of the middle class have been stagnating. It is time for the wealthy to step up and do their part by helping to make Social Security secure. Besides, all it means is that they pay the payroll tax all year (like everybody else), not just the first part of the year.

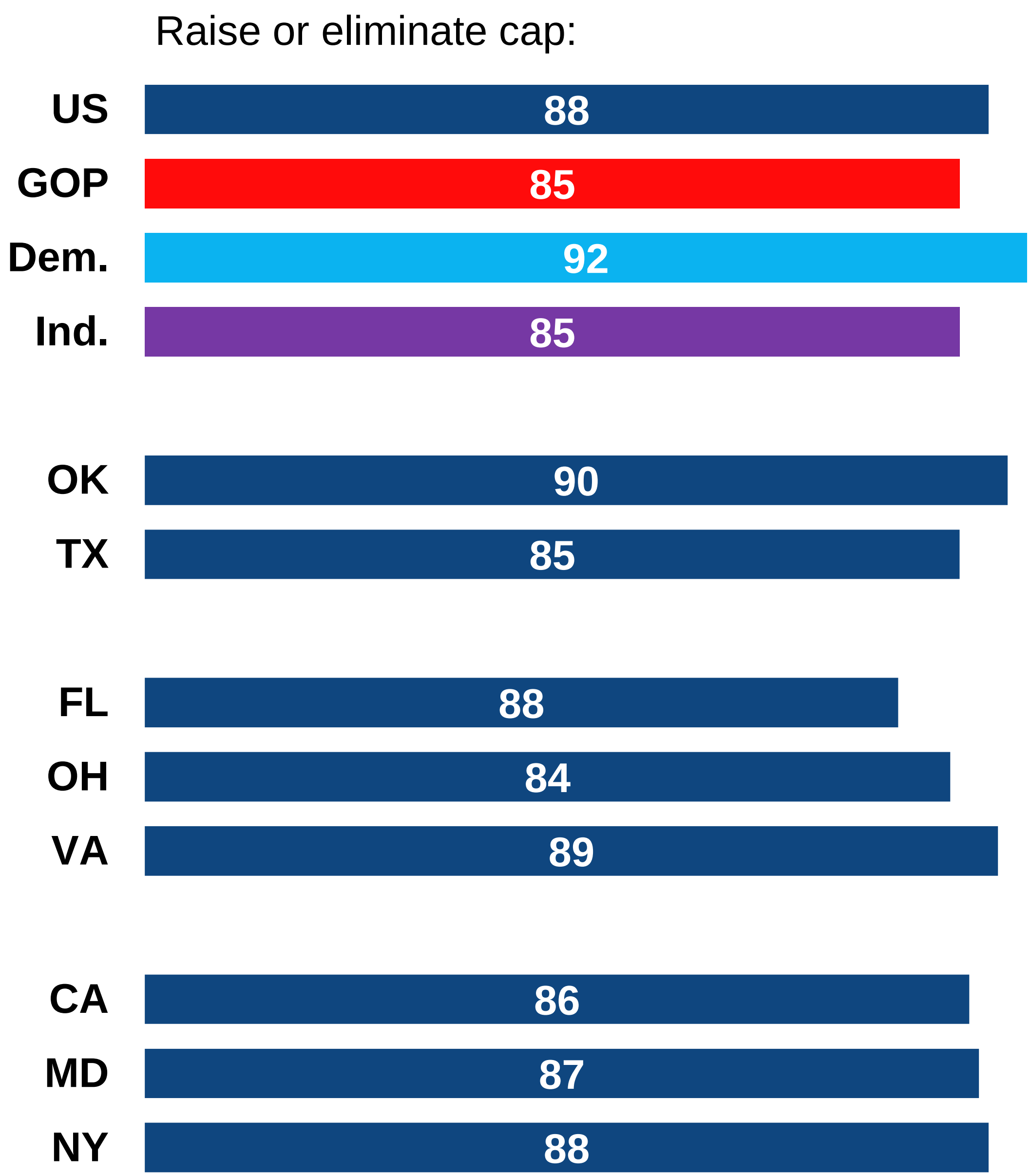


Con: Eliminating the Cap

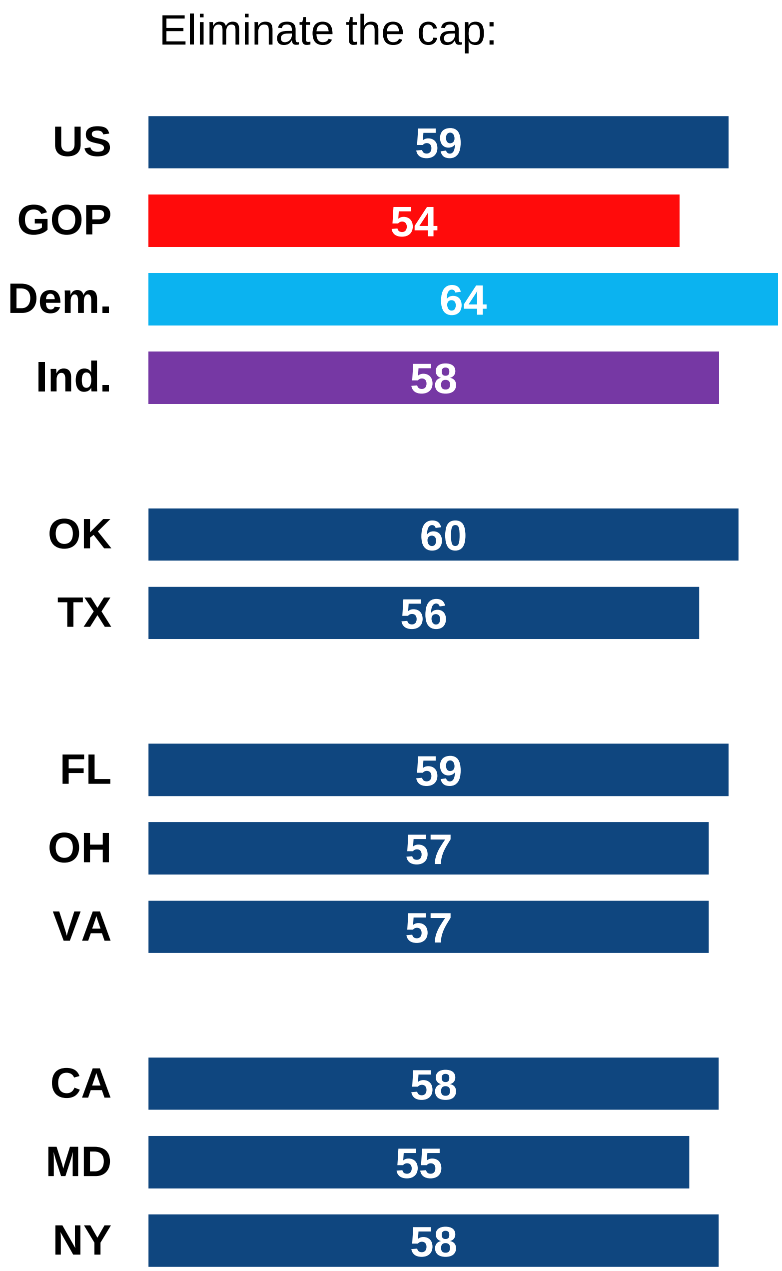
High earners just saw their income taxes, investment taxes and Medicare taxes increased. Higher taxes will discourage them from working and encourage tax evasion. They will also have less money to make investments that create jobs and promote economic activity. This will hurt the economy.



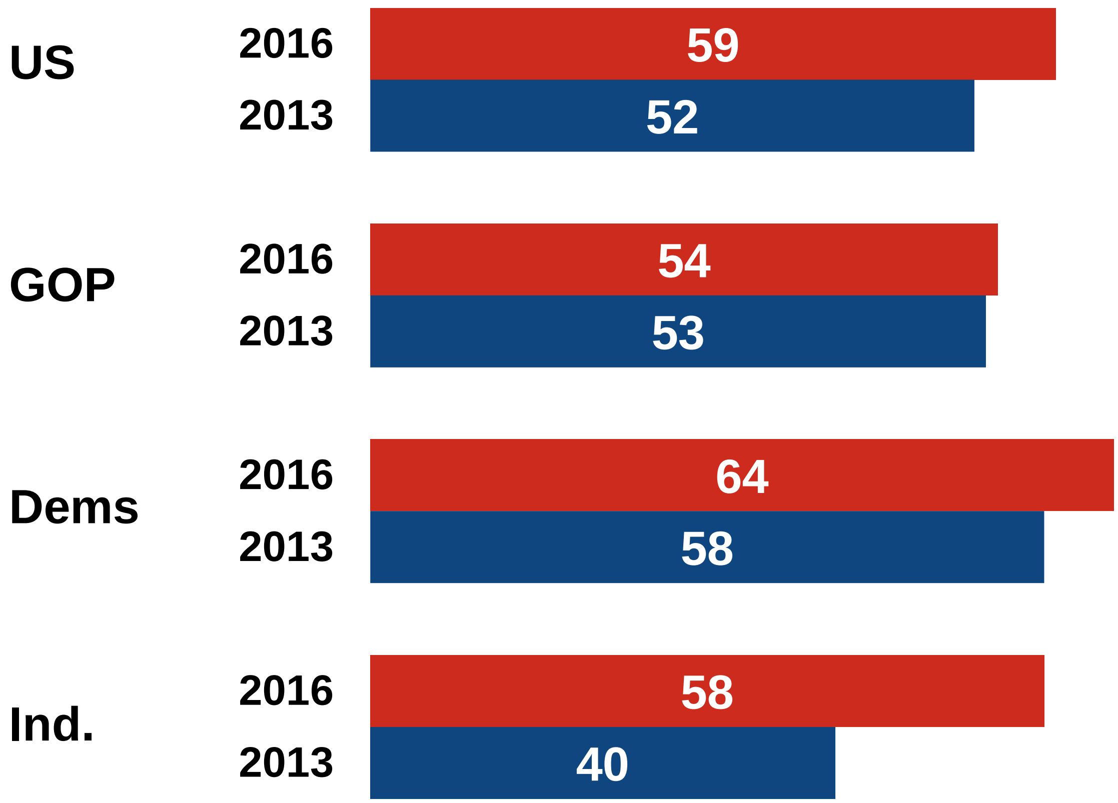
Final Recommendation: Raising/ Eliminating the Cap



Final Recommendation: Eliminating the Cap



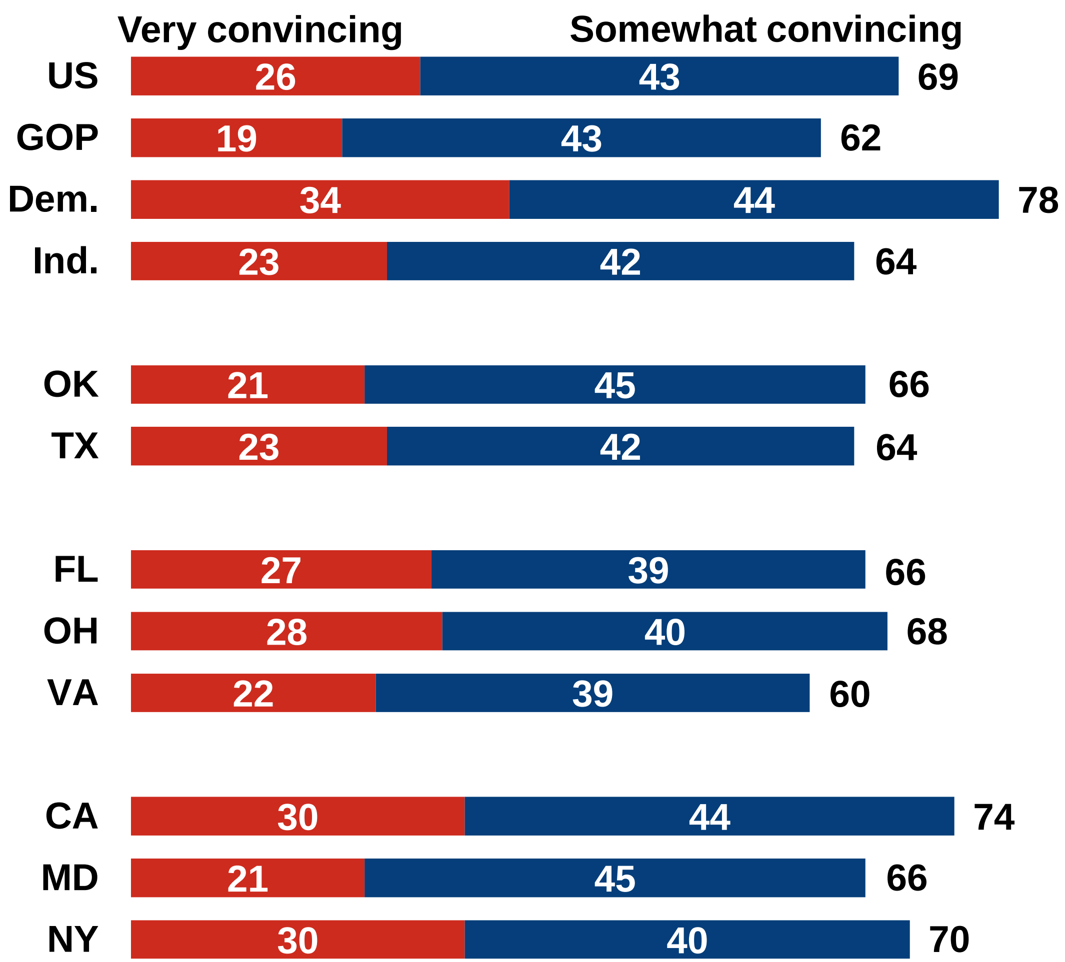
Increased Support for Eliminating Cap on Taxable Income



Raising Payroll Tax Rate

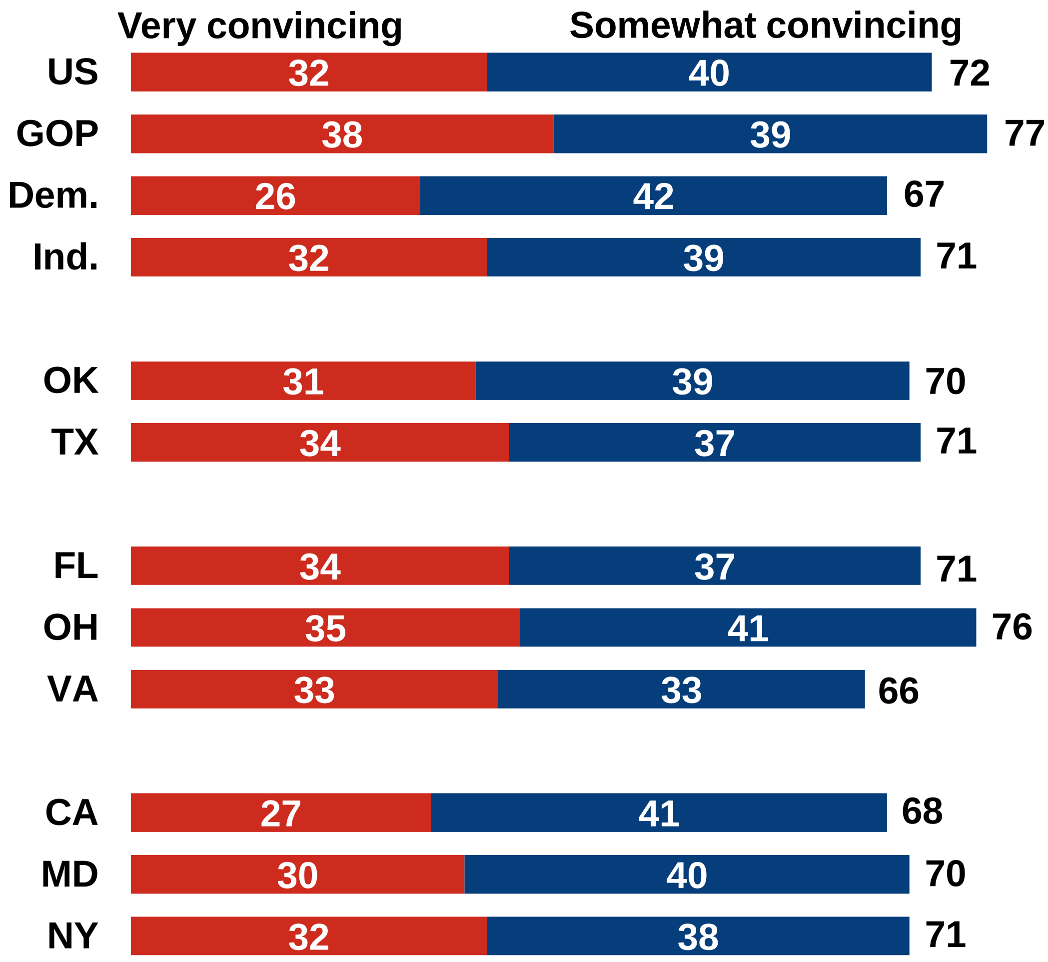
Pro: Raising Payroll Tax Rate

Social Security is a good investment because it provides a foundation for Americans' retirement, as well as protection in the event of worker disability or a spouse's death. Paying a little more now will shore up Social Security and make all Americans more secure later. It is also appropriate for employers to make slightly higher contributions to their employees' retirement, since fewer and fewer offer any pensions.



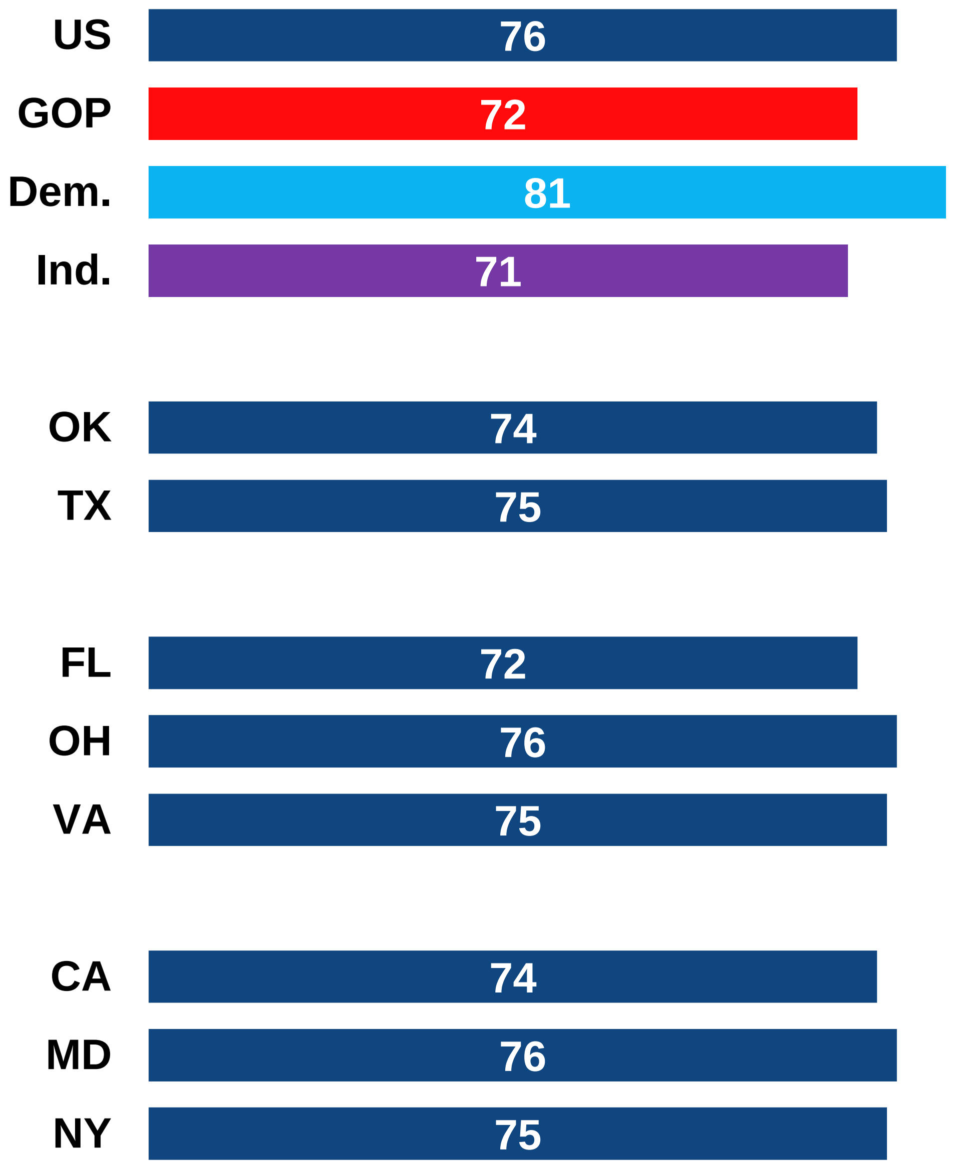
Con: Raising Payroll Tax Rate

Raising the tax rate is bad for employees, especially people who are living paycheck to paycheck. Any increase leaves them with less to spend and less to save for retirement. It is also bad for employers because it increases their costs, leading them to cut back their employees, and makes it harder to create new jobs. And it is bad for the self-employed, who pay both the employer's and employee's share of the payroll tax.



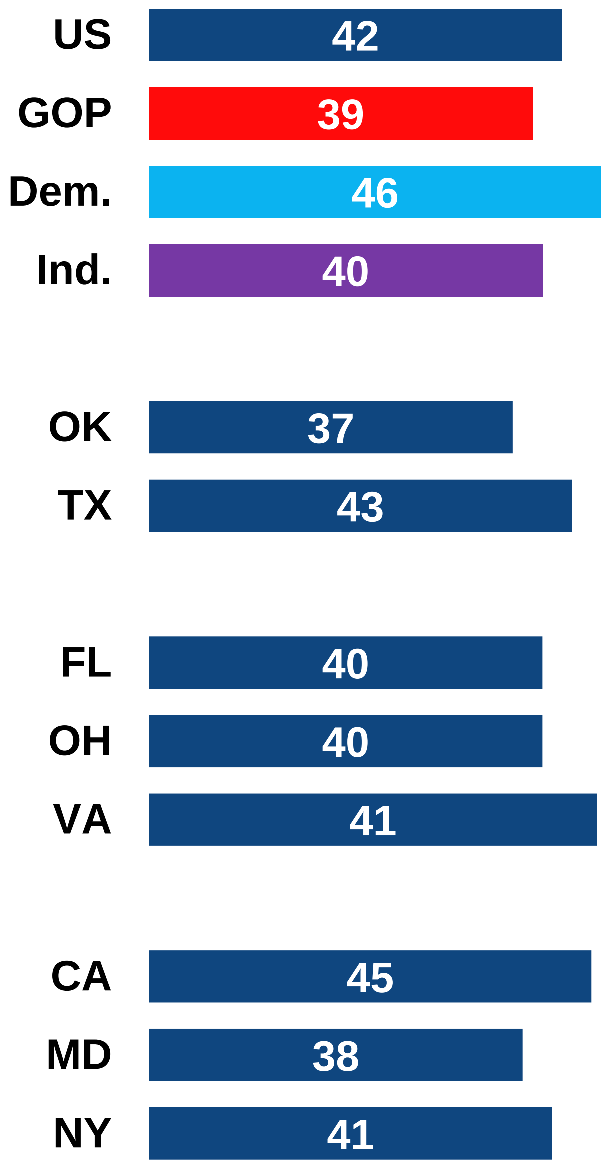
Final Recommendation: Raising Payroll Tax Rate

Increase current Social Security payroll tax rate from 6.2% to at least 6.6%:



Final Recommendation: Raising Payroll Tax Rate

Increase current Social Security payroll tax rate from 6.2% to at least 6.9%:



Recalculating COLAs

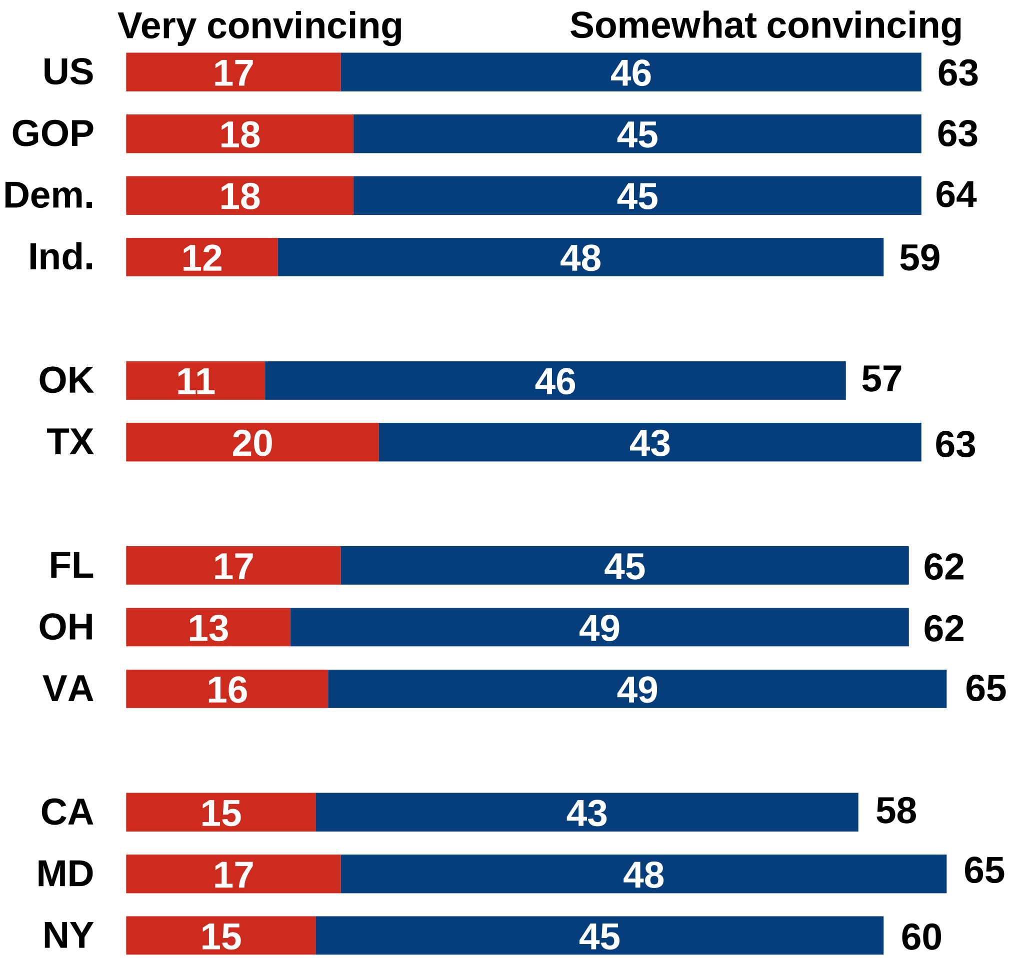
Two Methods:

Chained CPI

What Elderly Buy

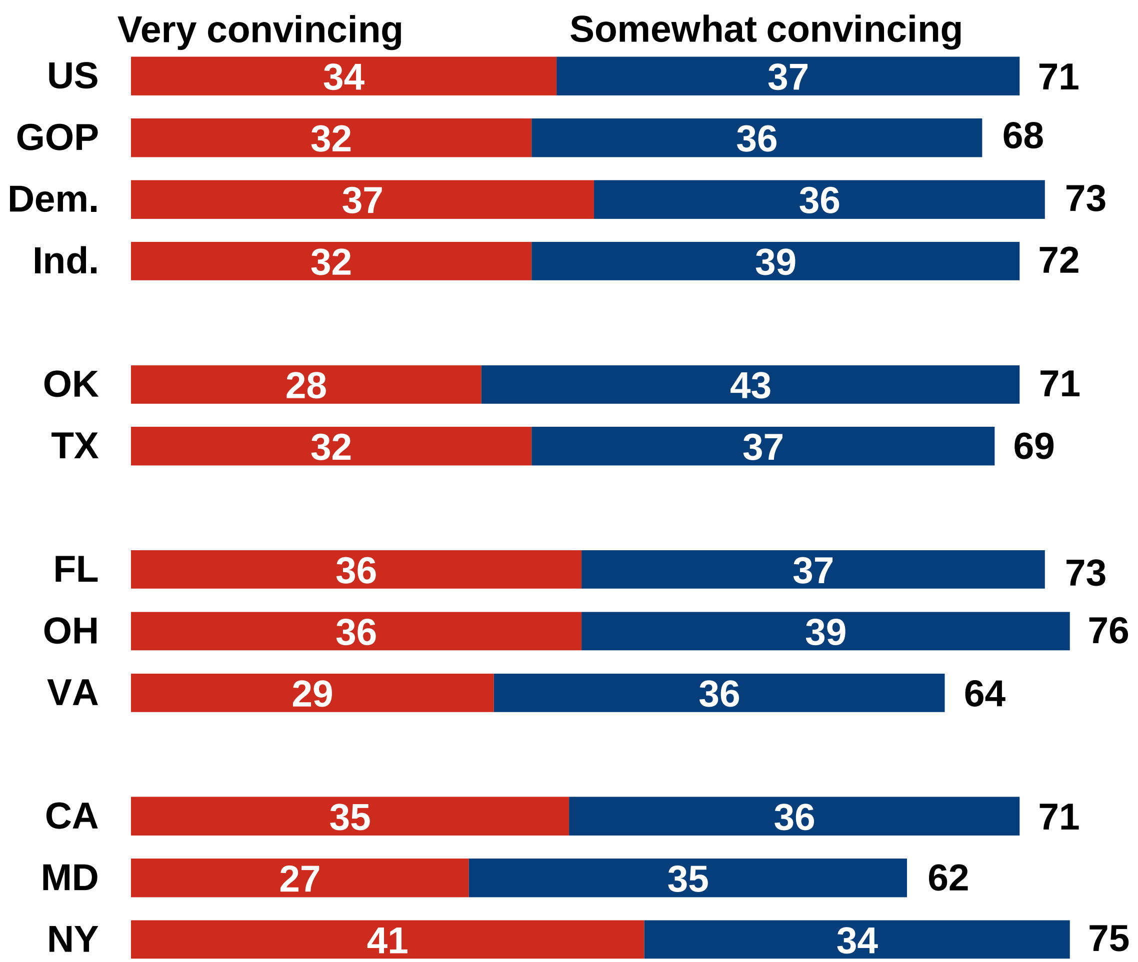
Pro: Chained CPI

Social Security benefits have been going up at a rate that is faster than the real cost of living. The reason is that the current inflation measure does not reflect changes in what people actually buy, which is based in part on what has become more or less expensive. If the adjustment were to reflect this more accurate measure of the cost of living, it would very slightly slow the rate of growth—thus saving money, while still maintaining seniors' purchasing power.



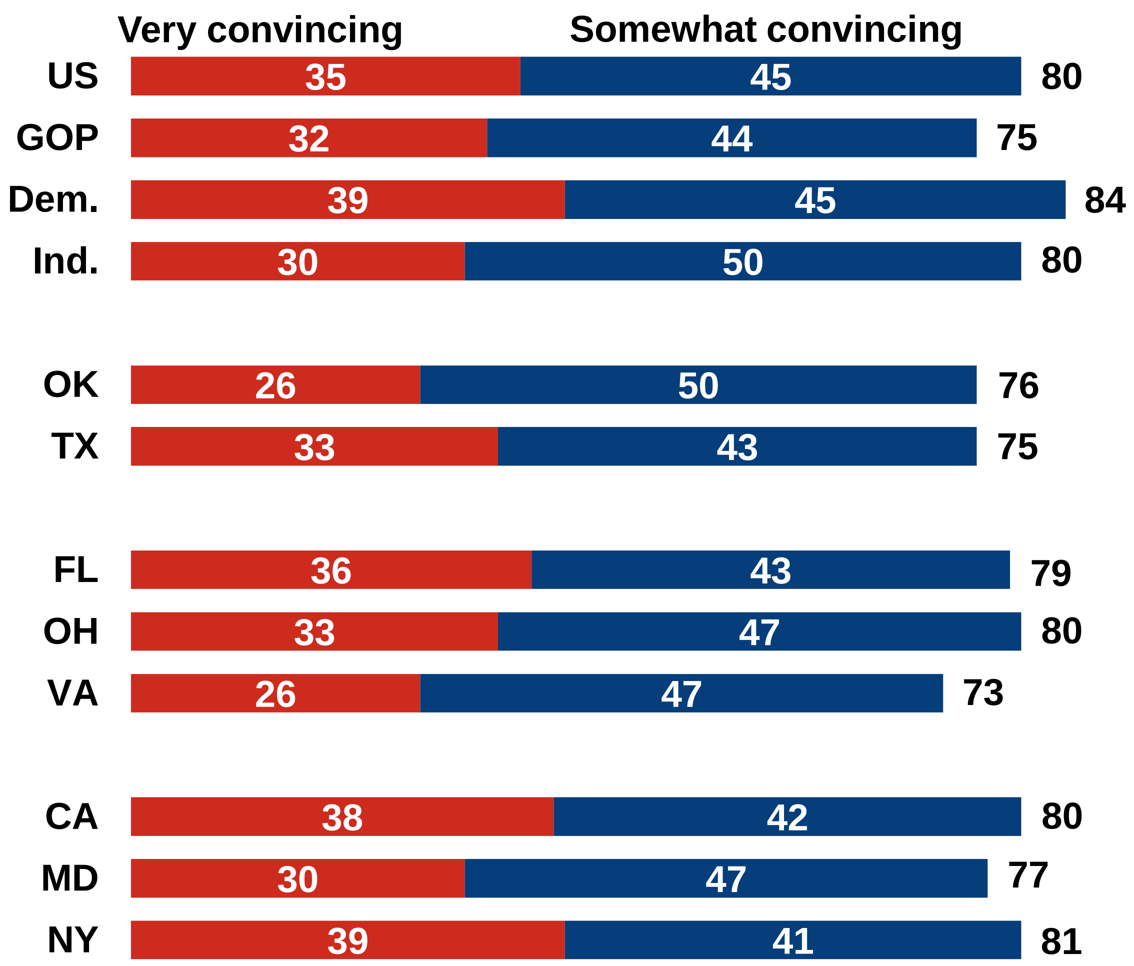
Con: Chained CPI

The idea that senior citizens are going to closely monitor the costs of a wide range of goods and then regularly adjust their established lifestyle and buying patterns is just not realistic. Ultimately, this is a benefit cut, even if it has a complex economic justification. We need to ensure that Social Security benefits keep pace with inflation in the real world, not a theoretical one.



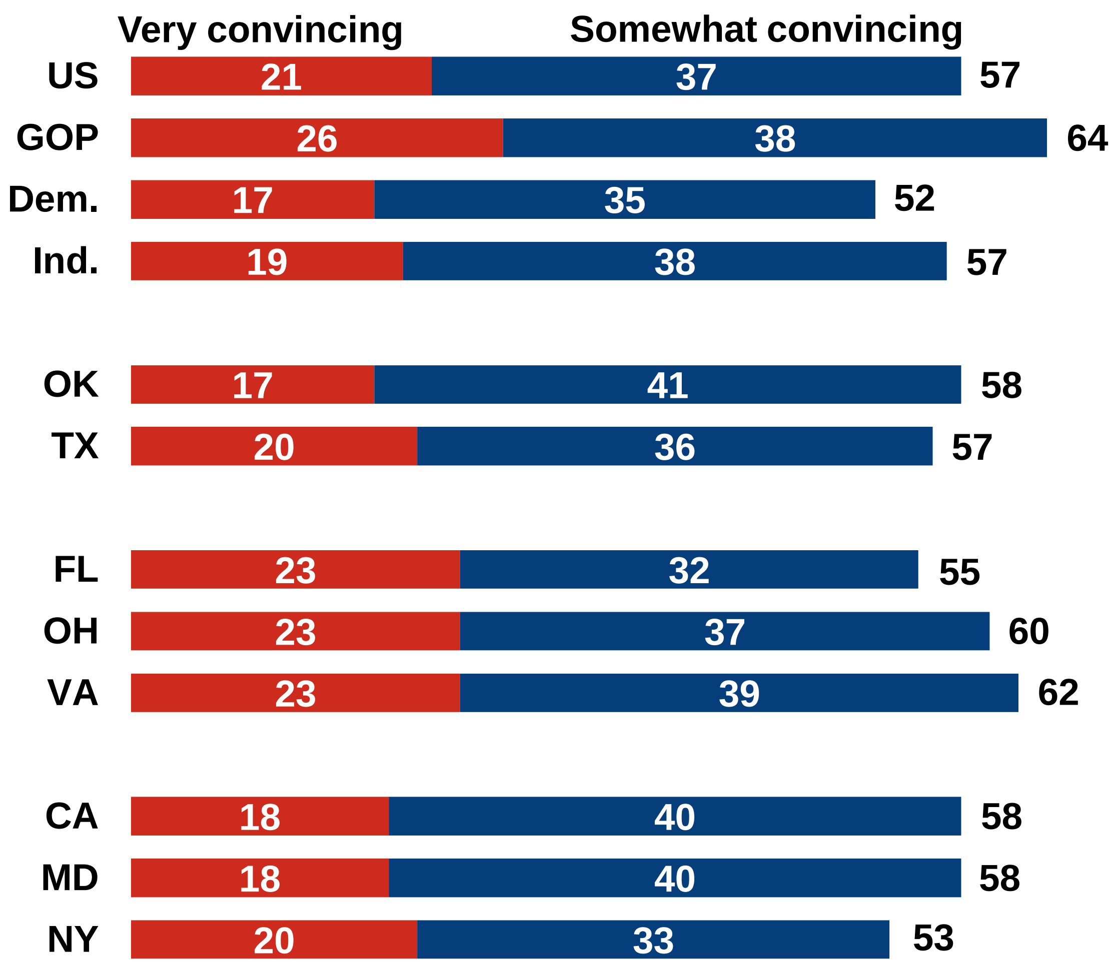
Pro: Basing COLA on What Elderly Buy

The whole idea of making cost of living adjustments is that Social Security recipients should not be hurt by inflation. The current system for calculating inflation does not really keep up with inflation for what seniors actually buy, thus reducing their purchasing power. The only fair thing to do is to change the method to reflect reality.

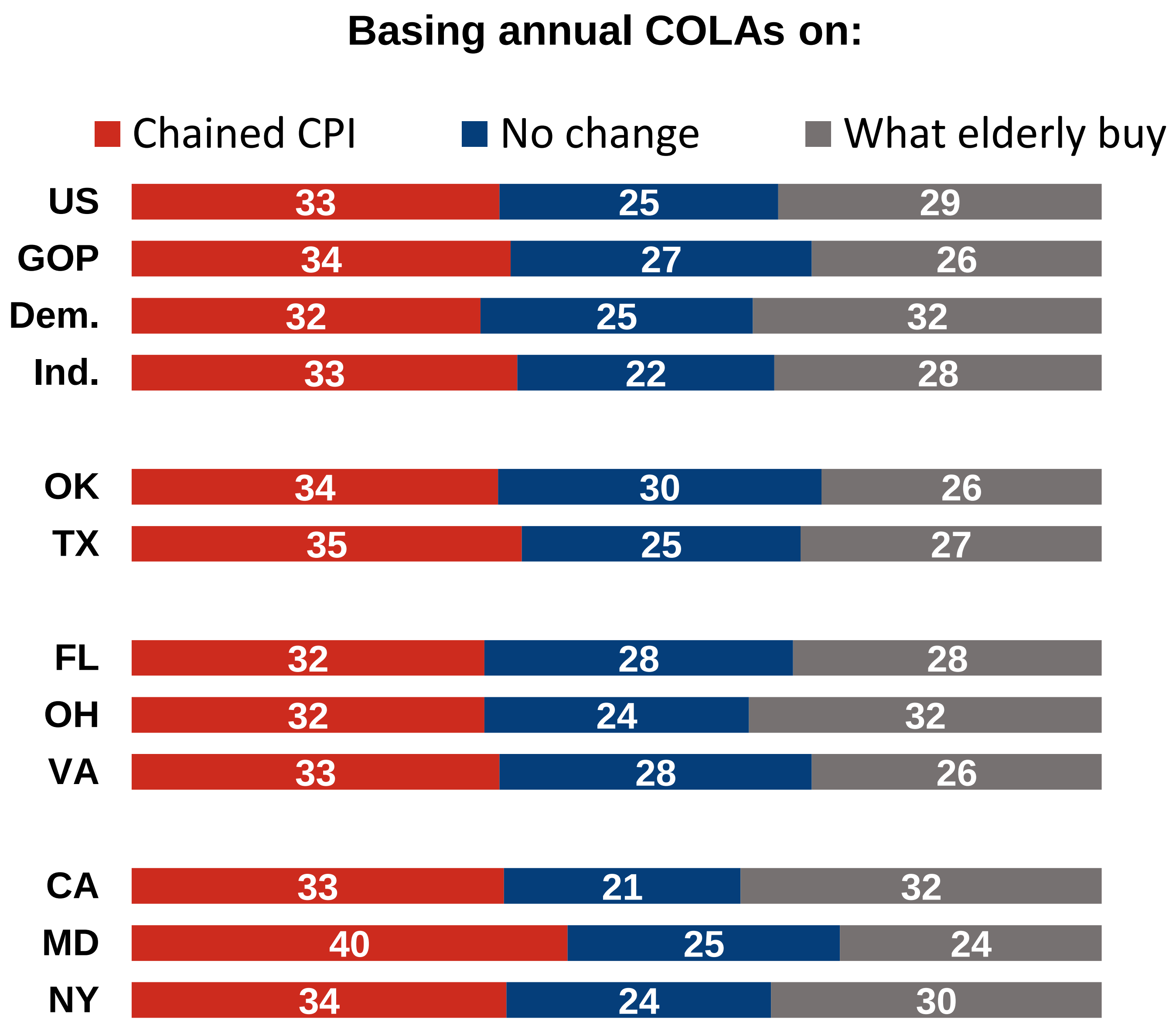


Con: Basing COLA on What Elderly Buy

People can come up with all kinds of arguments for why this group or that group needs to get higher benefit payments. The reality we have to face is that Social Security is in trouble because it will not have the means to meet its obligations. We should be thinking of ways to reduce the shortfall, not make it worse by increasing the cost of living adjustment.



Final Recommendation: Recalculating COLAs



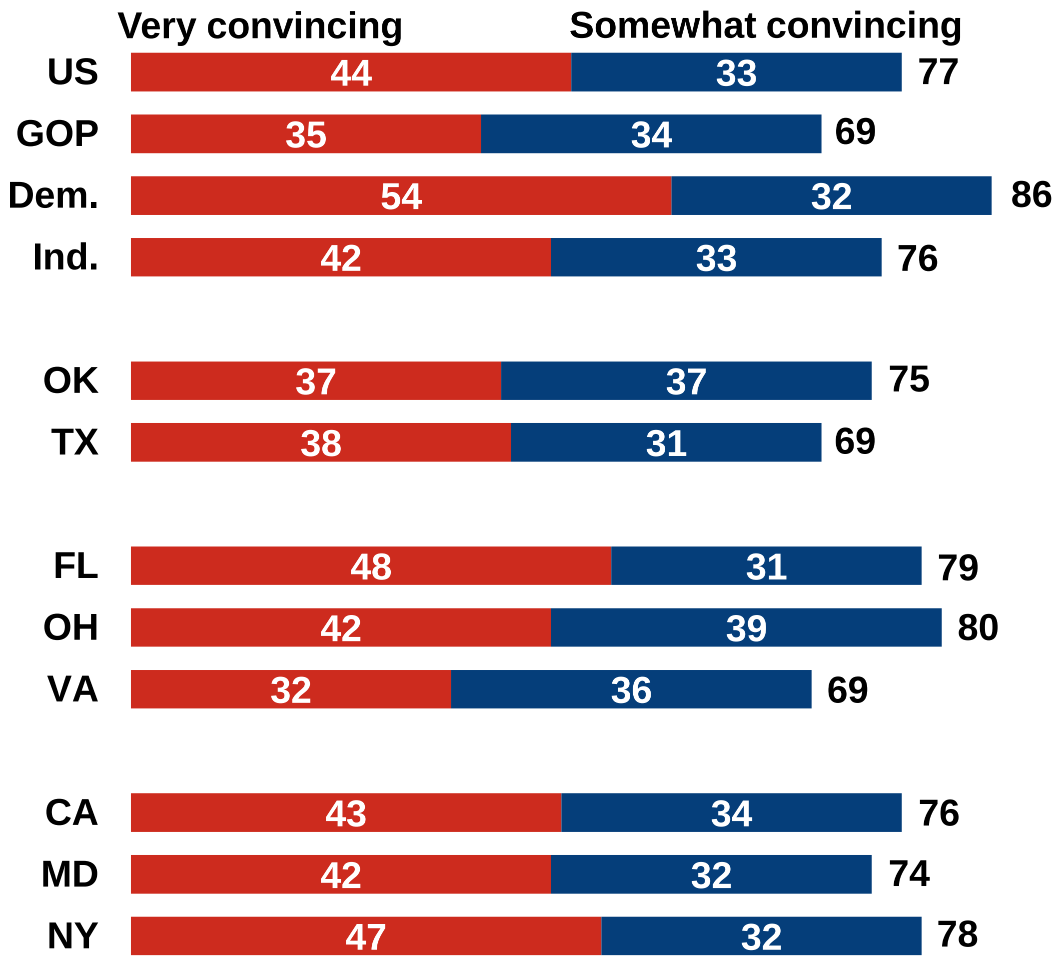
Raising Benefits

Raising Minimum Benefit

Option: Raising the minimum monthly benefit for those who have worked 30 years or more from $800 to $1,216:

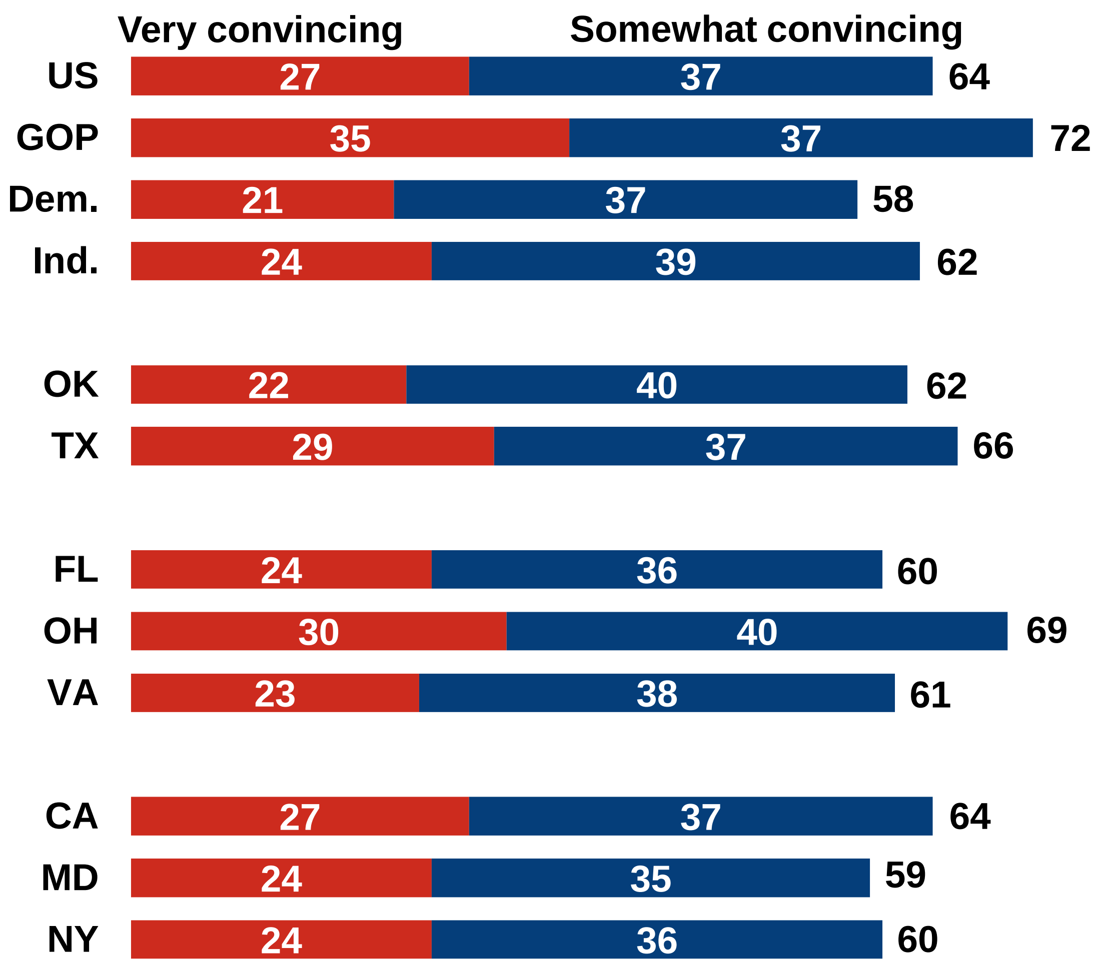
Pro: Raising the Minimum Benefit

The current minimum benefit is below the poverty line. It should be a basic principle that if you work for 30 years and pay your Social Security taxes, your benefits should assure that you can retire with dignity and not be condemned to live in poverty.



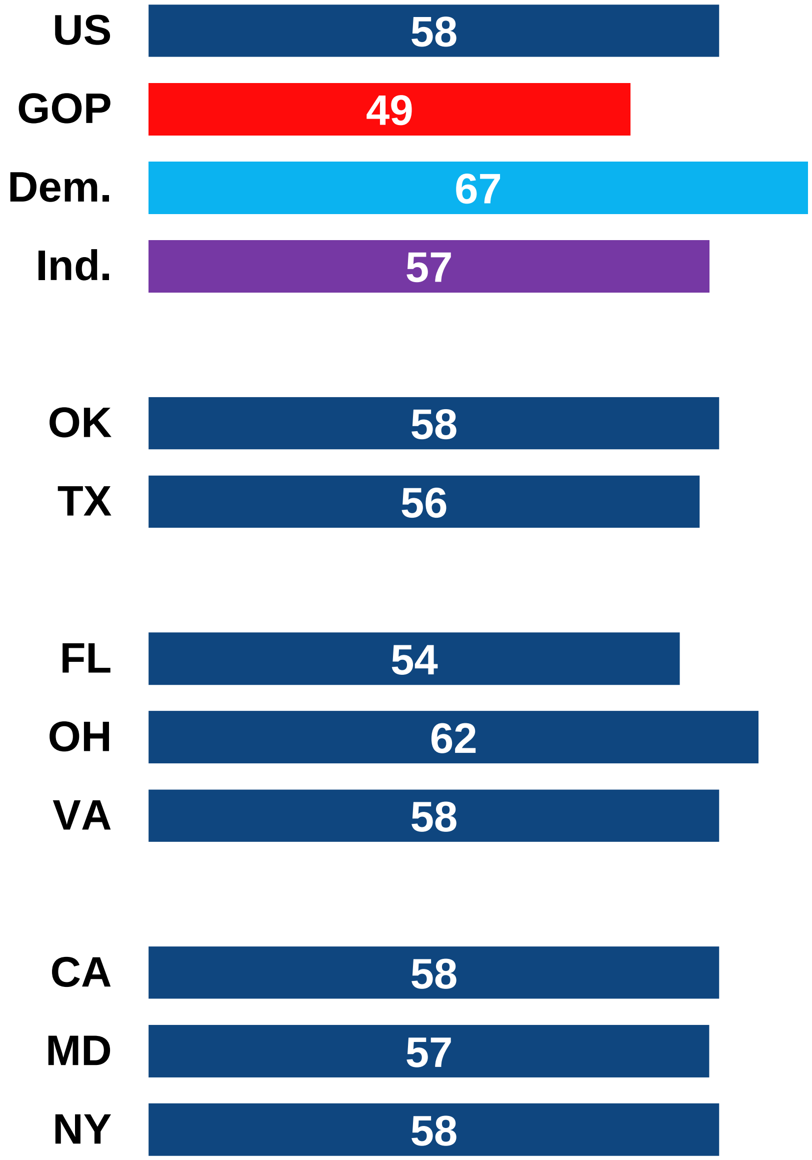
Con: Raising the Minimum Benefit

Given the difficulty of reducing the Social Security shortfall, we should not be considering any additional benefits. The main problem of covering the shortfall should be solved first and only then should we consider raising the minimum benefit.

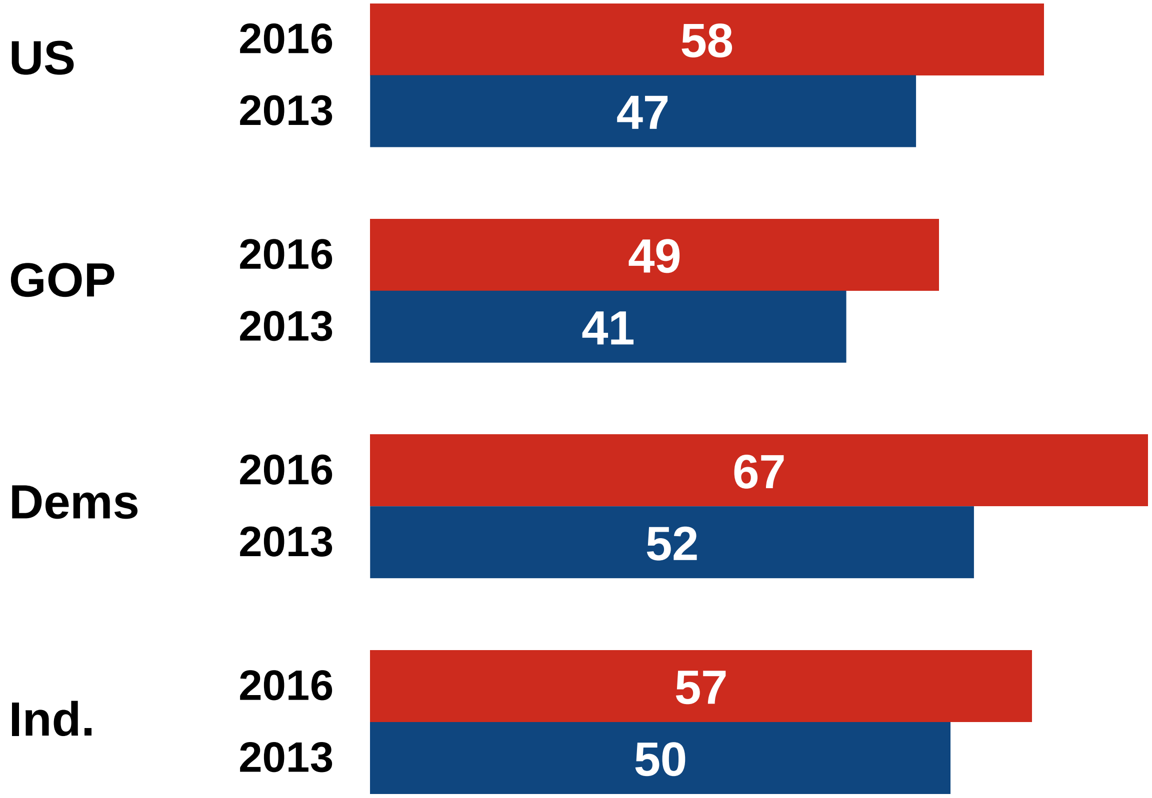


Final Recommendation: Raising Minimum Benefit

Raising the minimum monthly benefit for those who have worked 30 years or more from $800 to $1,216:



Increased Support for Raising Minimum Benefit

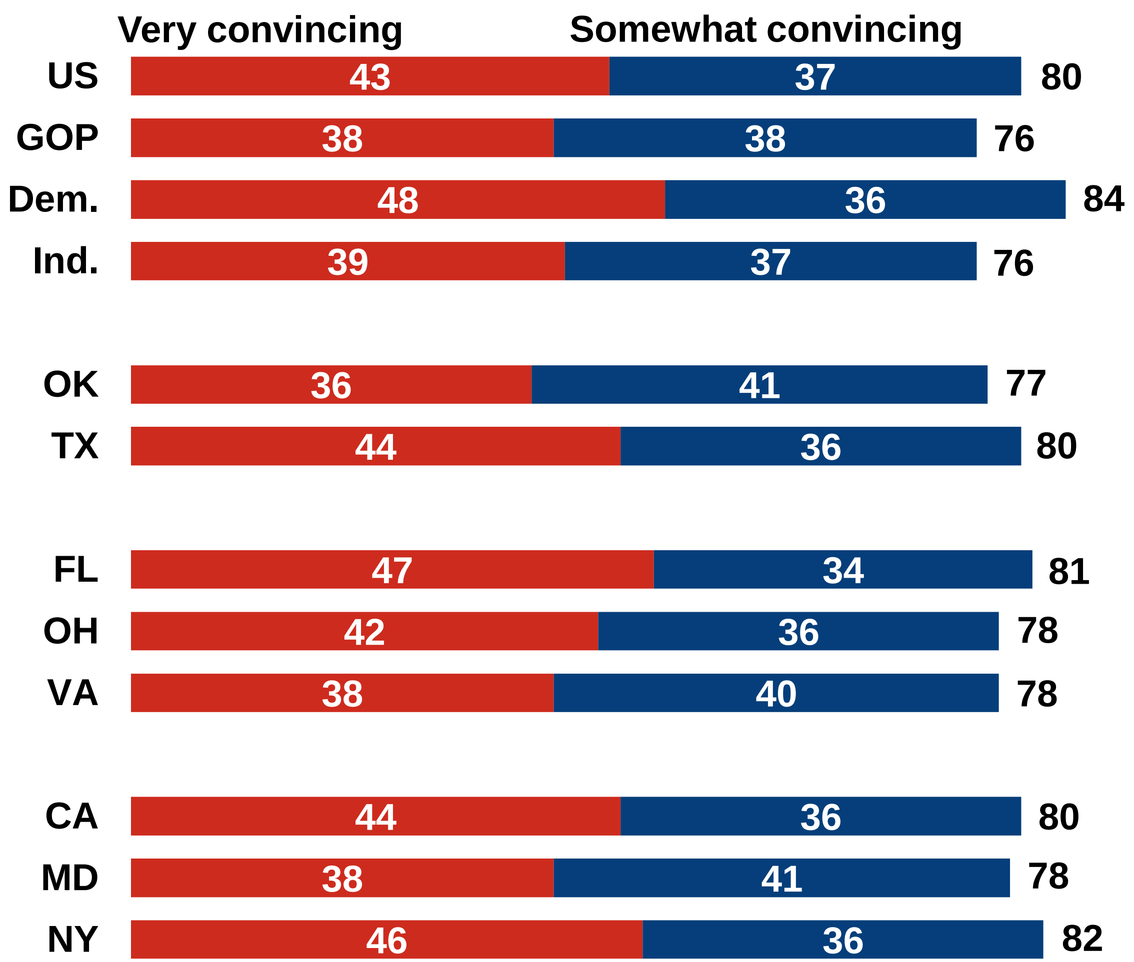


Supplementing benefits for the very old

Option: Increase benefits by $61.50 a month for those 85 and older

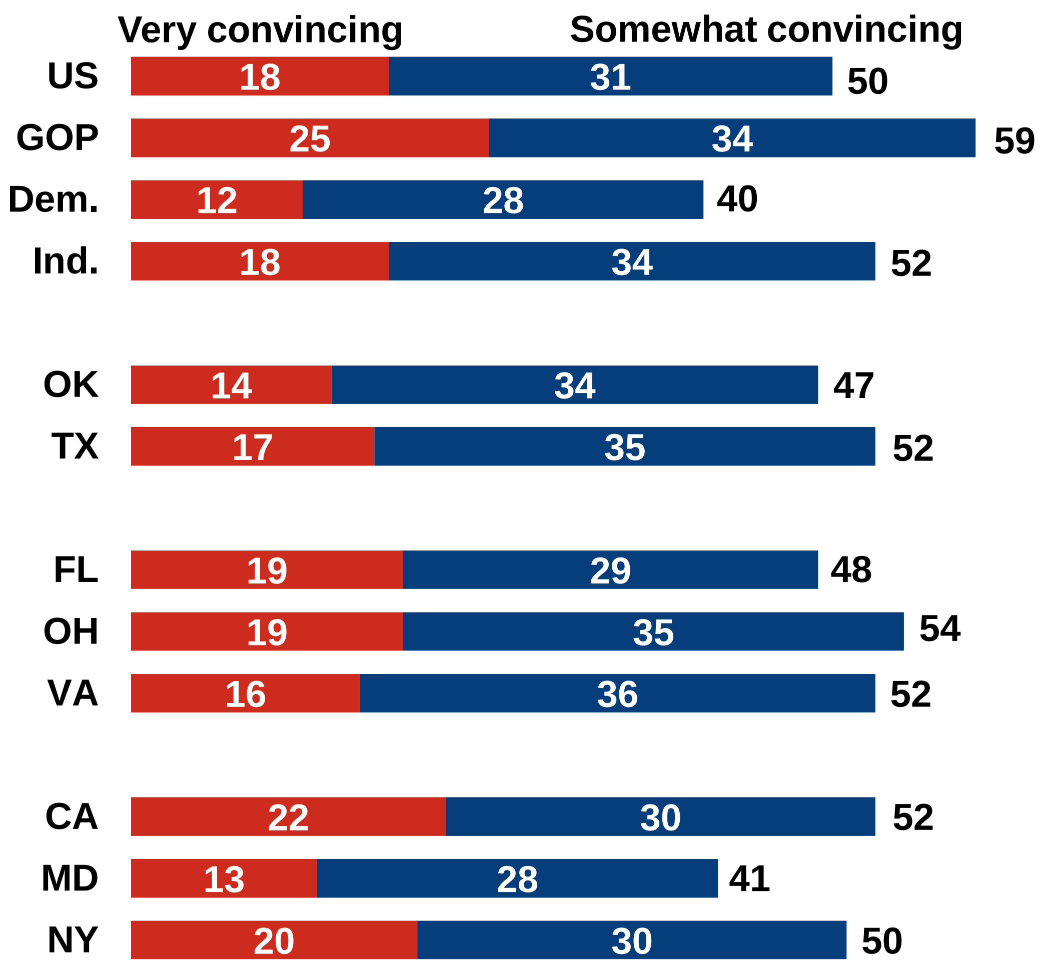
Pro: Supplementing Benefits for the Oldest

People in their 80s are often at the point of exhausting their savings and any other resources they may have. They are often quite frail and vulnerable, and need special services and assistance to help them cope with living. Their benefits are modest to begin with, and while people early in retirement can supplement their income by working part-time, this is unrealistic for people at this age.



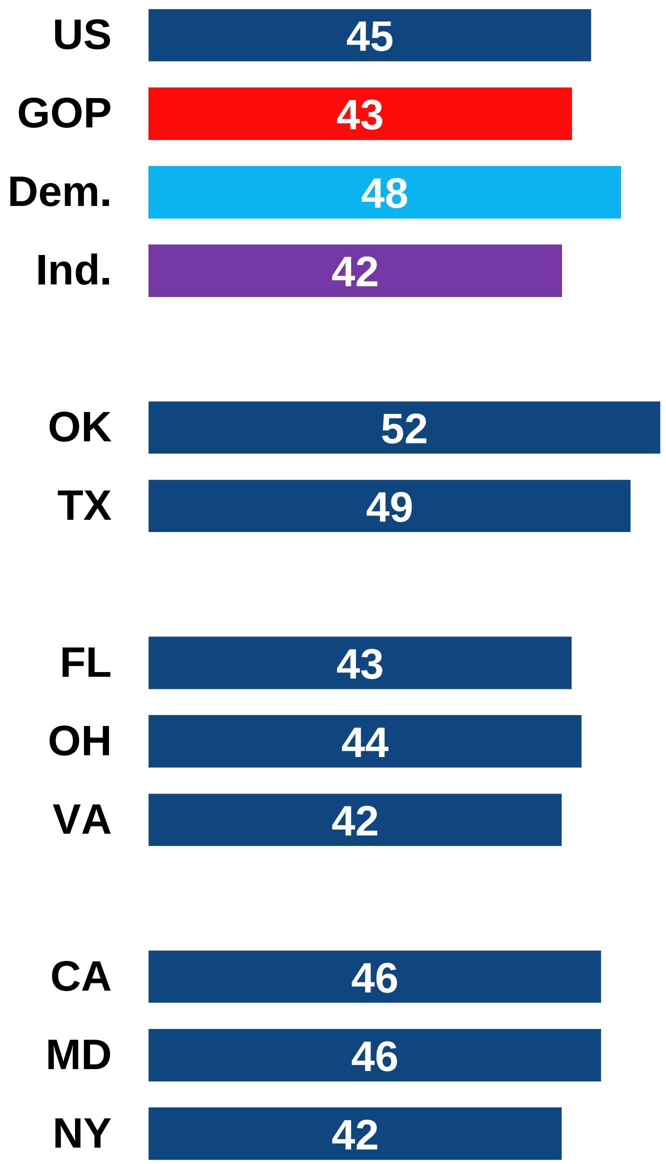
Con: Supplementing Benefits for the Oldest

This idea is yet one more example of thinking that people should not be considered responsible for planning for their financial needs. If we go down this path, it will make people more dependent, discourage them from saving, and contribute to an overly big and unaffordable government.



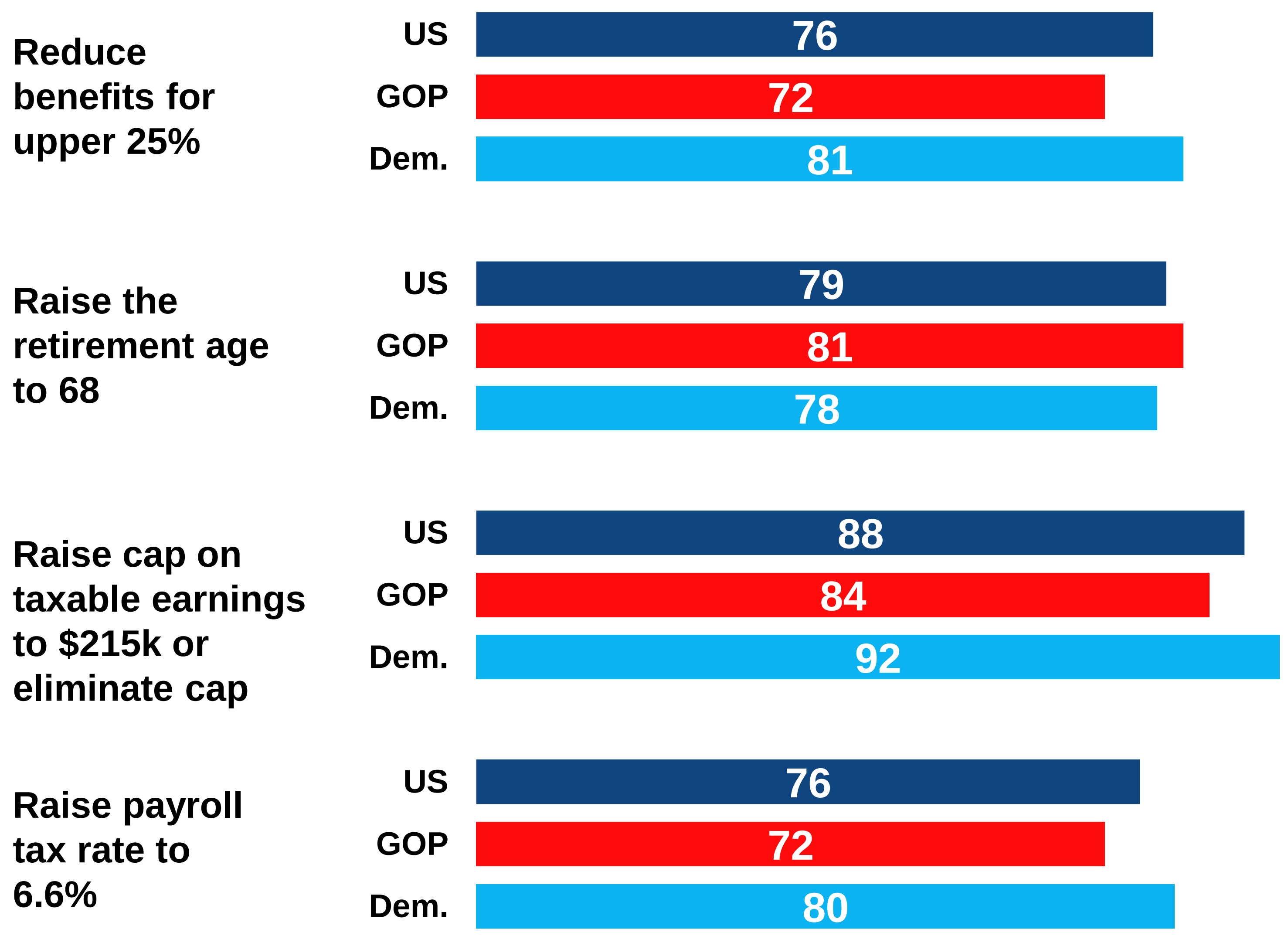
Final Recommendation: Supplementing Benefits

Supplementing benefits of those 85 and over by $61.50 a month:

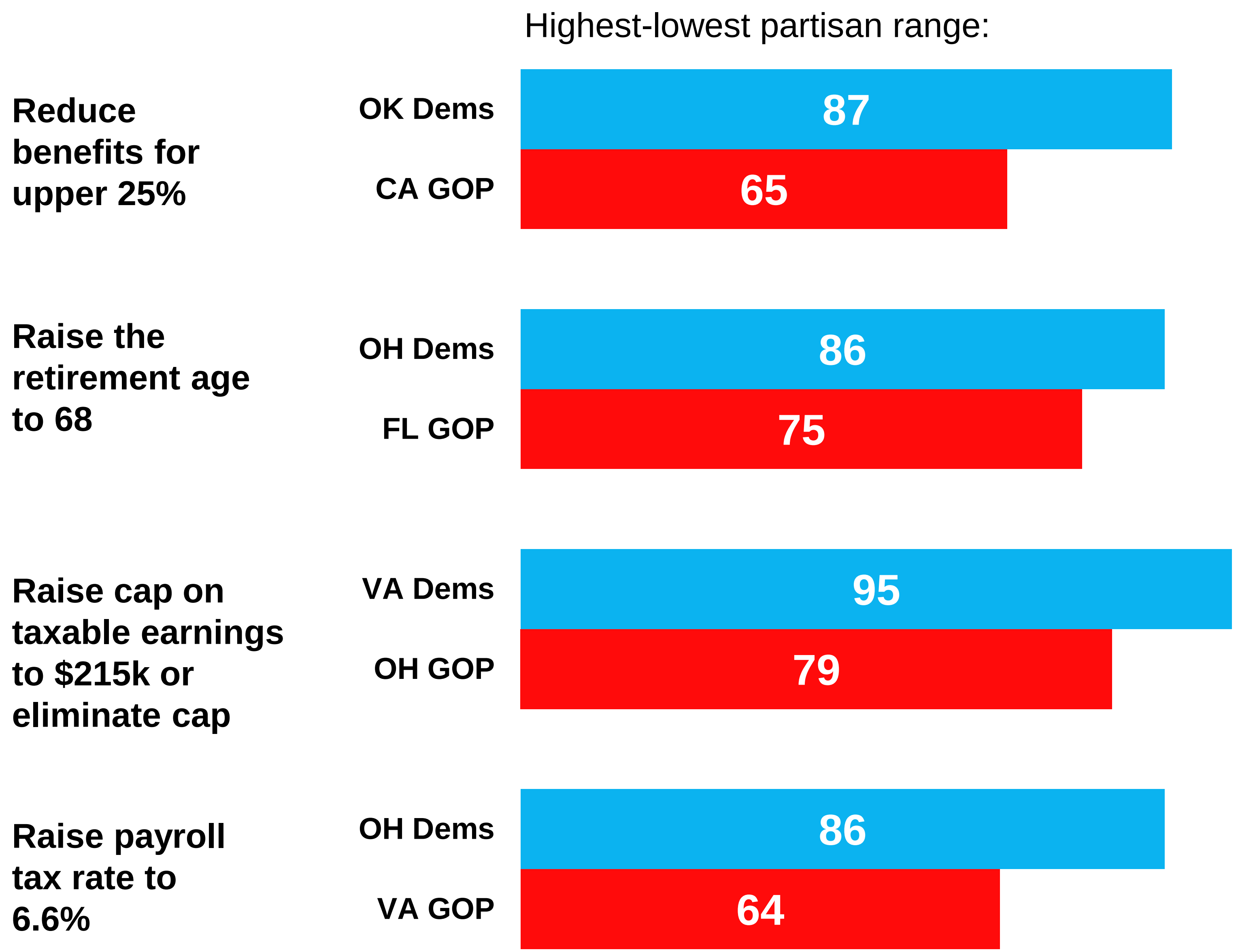


Putting it All Together

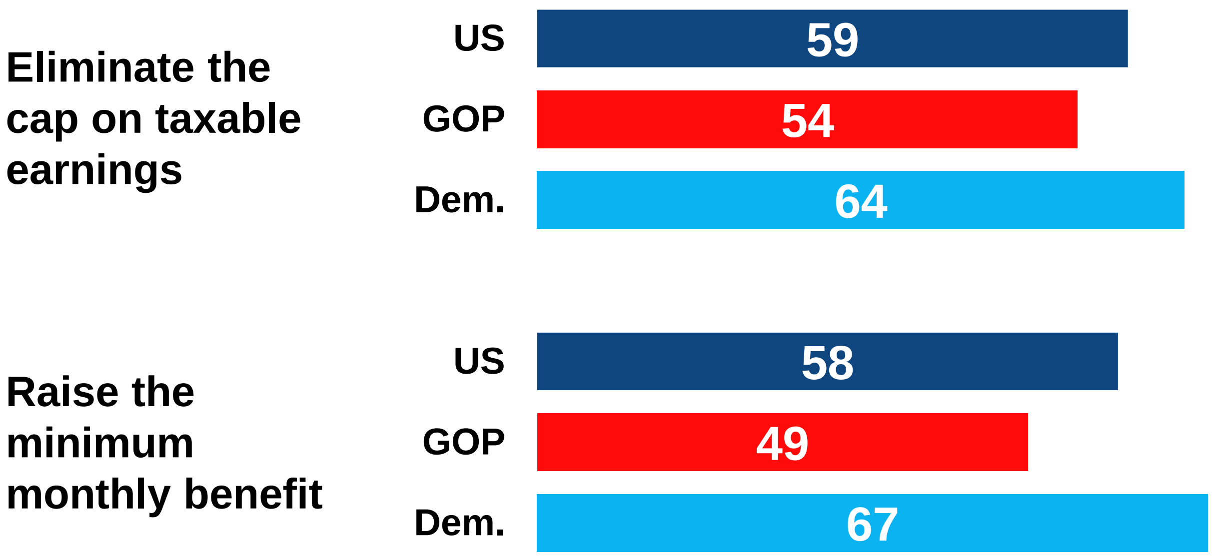
Recommendations Endorsed by Large Majorities (Cover 66% of Shortfall)



Recommendations Endorsed by Large Majorities (Cover 66% of Shortfall)



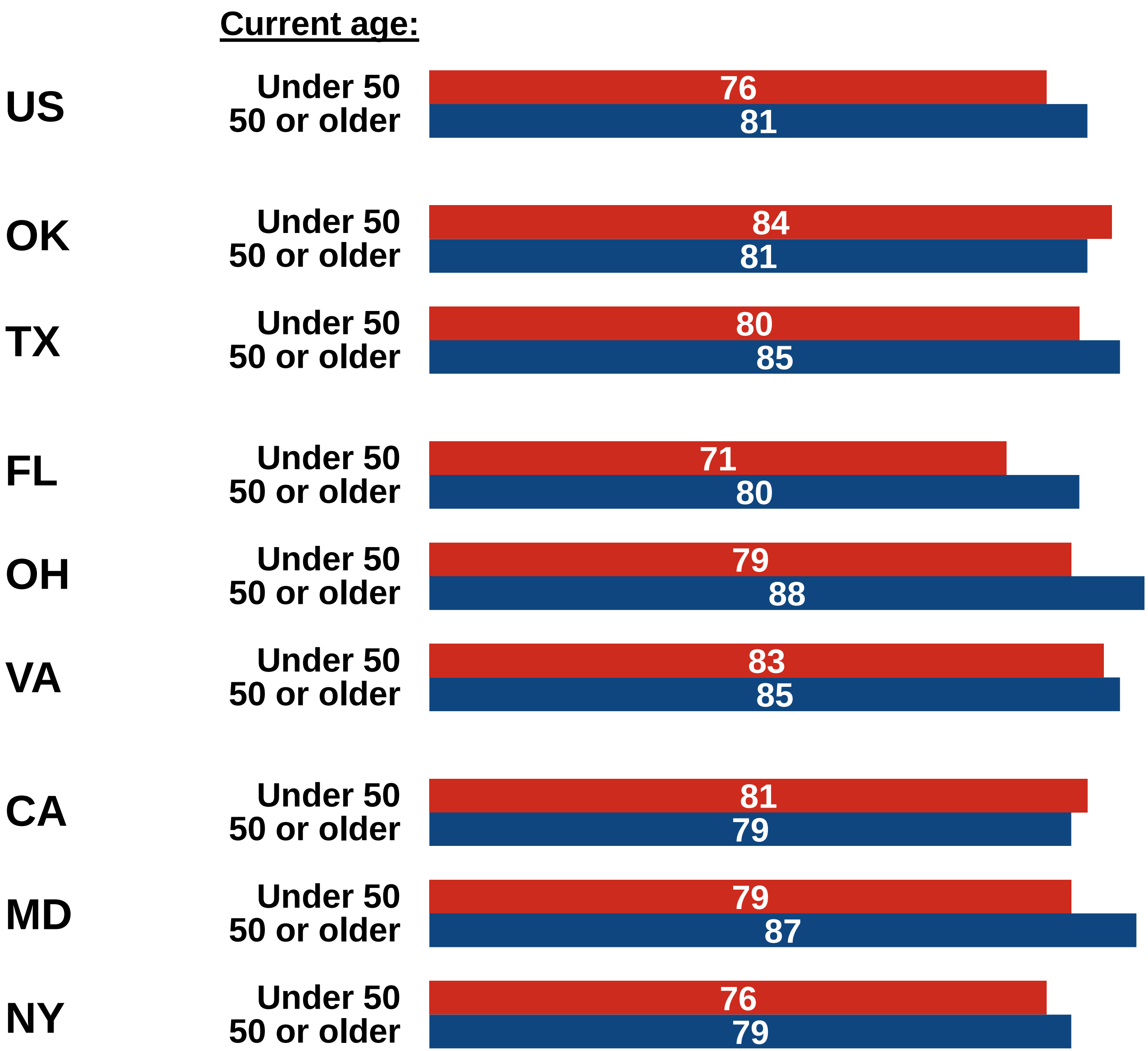
Additional Recommendations Endorsed by Majorities
(Cover 98% of Shortfall)



Differences by Affected Subpopulations

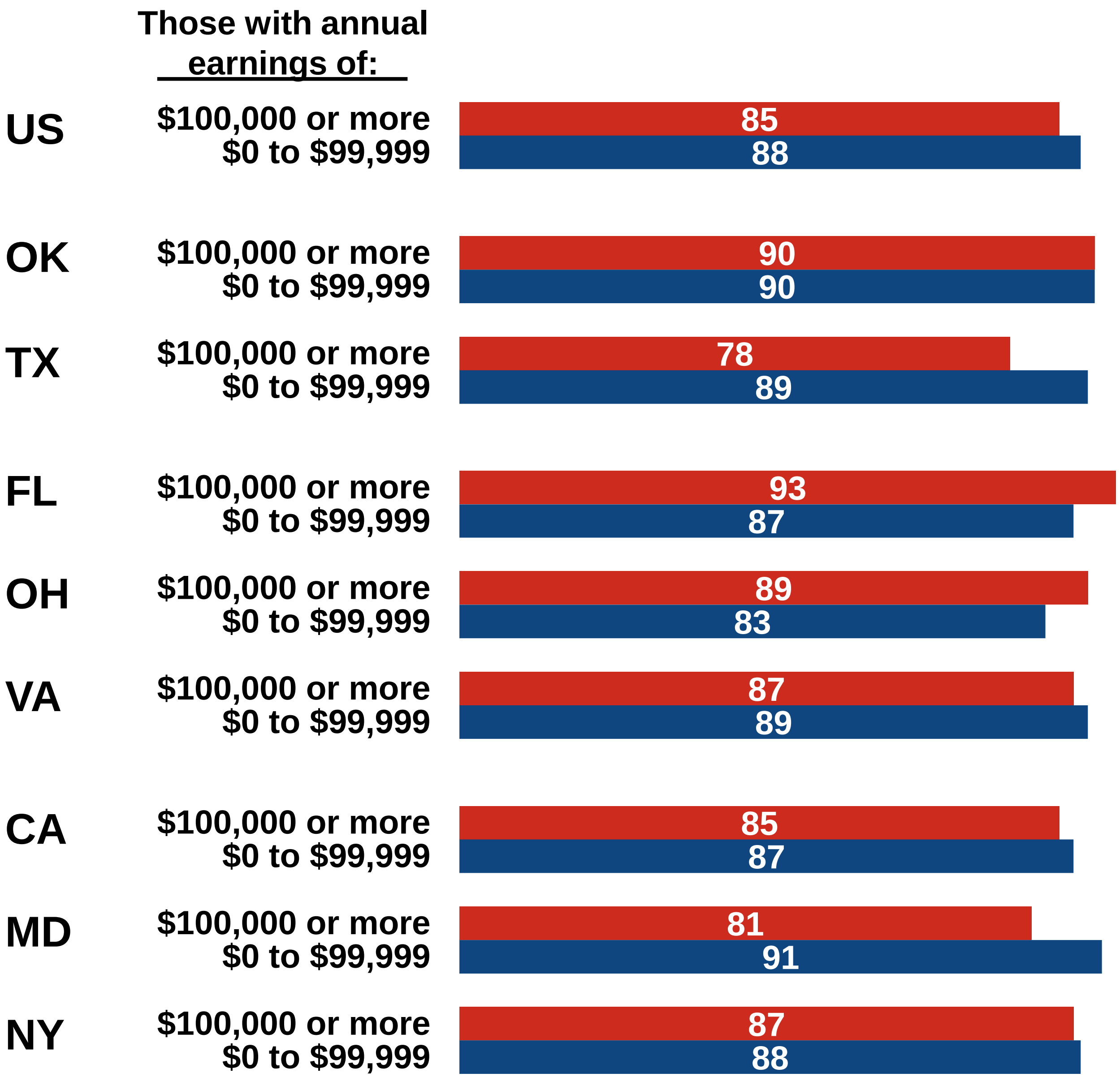
Increasing Full Retirement Age

Increase the full retirement age to at least 68:



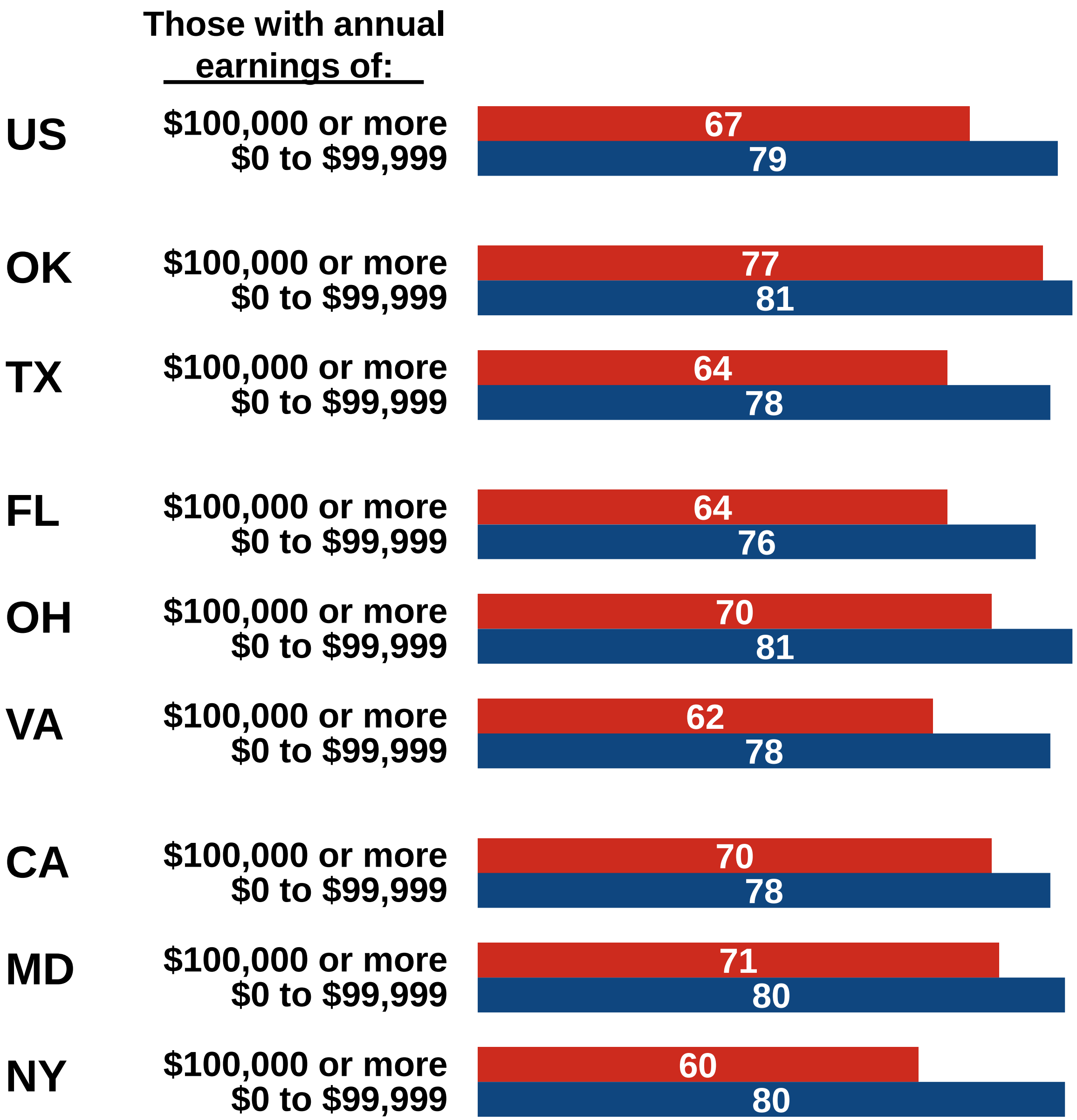
Raising Cap on Taxable Earnings

Raise cap to $215,000 or eliminate:



Reducing Benefits

Reduce benefits for upper 25%:



CALIFORNIA

	Impact on Shortfall	US	CA	GOP	Dem.
Benefit Reductions					
Reduce benefits for at least upper 25%	-7%	76%	75%	65%	83%
Gradually raise retirement age to at least 68	-15%	79%	79%	77%	80%
Revenue Increases					
Raising or eliminating the cap on taxable earnings	-27%	88%	86%	83%	92%
Eliminate cap on taxable earnings	-66%	59%	58%	60%	64%
Increase payroll tax rate to at least 6.6%	-17%	76%	74%	73%	77%
Benefit Increases					
Raise the minimum monthly benefit for those who have worked 30 years or more from $800 to $1,216	+7%	58%	58%	55%	61%
Supplement benefits of those 85 and over by $61.50/month	+5%	45%	46%	40%	54%
Recalculate Cost of Living Adjustments (COLAs)					
Base COLAs on what people buy (chained CPI)	-19%	33%	33%	28%	27%
Base COLAs on what elderly people buy	+13%	29%	32%	31%	39%
Change to shortfall endorsed by majority:		-98%	-98%	-98%	-93%

Final Recommendations:
North Carolina

Covers 98% of the shortfall:

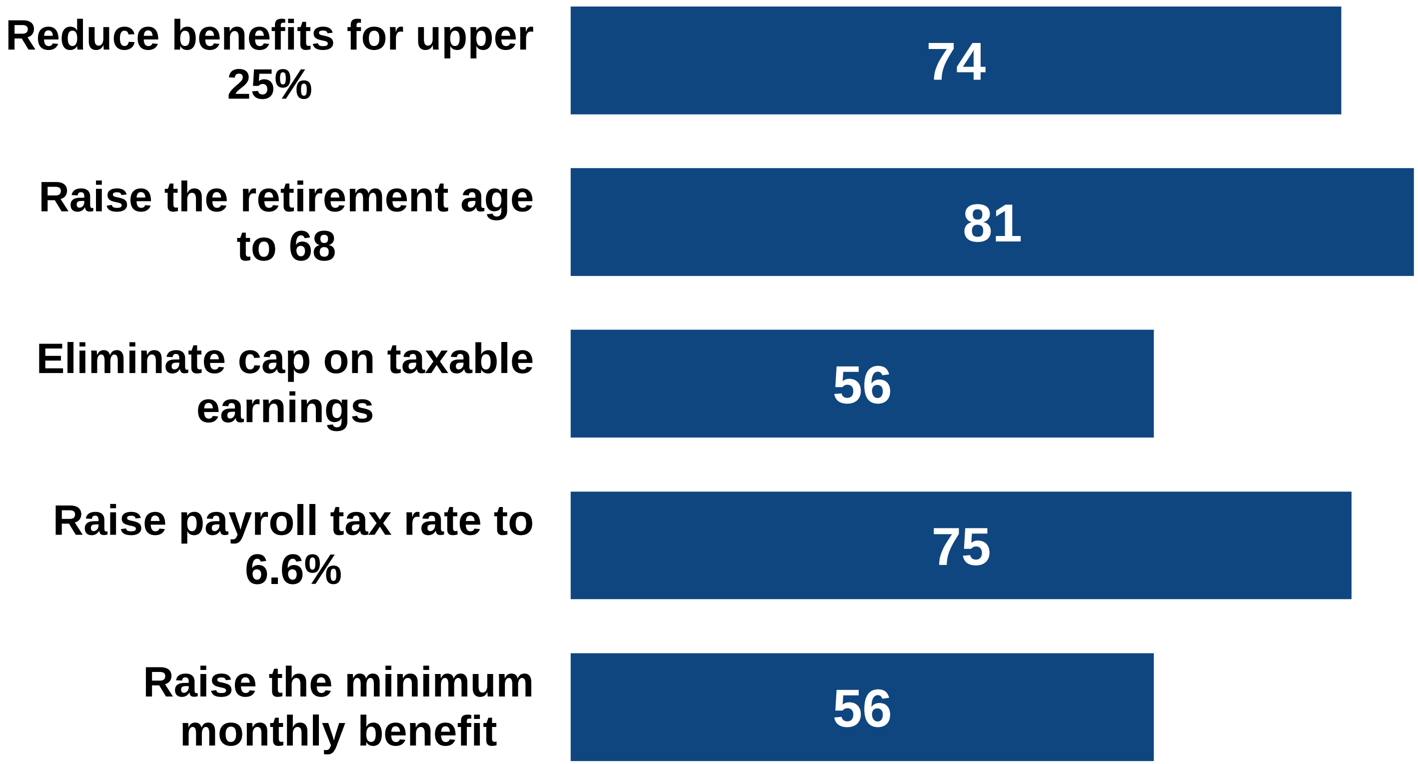
		Impact on Shortfall:
Reduce benefits for upper 25%	74	-7%
Raise the retirement age to 68	77	-15%
Eliminate cap on taxable earnings	62	-66%
Raise payroll tax rate to 6.6%	71	-17%
Raise the minimum monthly benefit	65	+7%
		-98%

North Carolina	Impact on Shortfall	US	NC	GOP	Dem.
Benefit Reductions					
Reduce benefits for at least upper 25%	-7%	76%	74%	69%	81%
Gradually raise retirement age to at least 68	-15%	79%	77%	76%	78%
Revenue Increases					
Raising or eliminating the cap on taxable earnings	-27%	88%	87%	84%	87%
Eliminate cap on taxable earnings	-66%	59%	62%	50%*	67%
Increase payroll tax rate to at least 6.6%	-17%	76%	71%	65%	77%
Benefit Increases					
Raise the minimum monthly benefit for those who have worked 30 years or more from $800 to $1,216	+7%	58%	65%	52%	74%
Supplement benefits of those 85 and over by $61.50/month	+5%	45%	42%	43%	38%
Recalculate Cost of Living Adjustments (COLAs)					
Base COLAs on what people buy (chained CPI)	-19%	33%	35%	51%	31%
Base COLAs on what elderly people buy	+13%	29%	29%	23%	29%
Change to shortfall endorsed by majority:		**-98%**	**-98%**	**-78%**	**-98%**

*49.6%

Final Recommendations: Texas

Covers 98% of the shortfall:



Impact on Shortfall:

-7%

-15%

-66%

-17%

+7%

-98%

Texas	Impact on Shortfall	US	TX	GOP	Dem.
Benefit Reductions					
Reduce benefits for at least upper 25%	-7%	76%	74%	71%	80%
Gradually raise retirement age to at least 68	-15%	79%	81%	83%	81%
Revenue Increases					
Raising or eliminating the cap on taxable earnings	-27%	88%	86%	80%	94%
Eliminate cap on taxable earnings	-66%	59%	56%	53%	64%
Increase payroll tax rate to at least 6.6%	-17%	76%	75%	72%	81%
Benefit Increases					
Raise the minimum monthly benefit for those who have worked 30 years or more from $800 to $1,216	+7%	58%	56%	50%	62%
Supplement benefits of those 85 and over by $61.50/month	+5%	45%	49%	45%	57%
Recalculate Cost of Living Adjustments (COLAs)					
Base COLAs on what people buy (chained CPI)	-19%	33%	35%	32%	39%
Base COLAs on what elderly people buy	+13%	29%	27%	28%	31%
Change to shortfall endorsed by majority:		**-98%**	**-98%**	**-98%**	**-93%**