To Preserve and Strengthen Social Security:

A Curriculum on Social Security for Congregational Study Groups

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INTRODUCTION TO THE CURRICULUM:

In light of the current national debate on Social Security, it is imperative that people of faith are knowledgeable and engaged in the issues around this important anti-poverty program for our nation. This curriculum is designed to serve as a basic framework for the study of this issue within the congregational setting, by offering:

- Questions for reflection and discussion grounded in the biblical witness to justice and security for all members of society
- Questions for reflection and discussion about the ethics related to the system and the proposals being offered
- Basic background information on Social Security in its current form
- Information on proposals for the future of the program as they currently are being debated

Leaders and groups are encouraged to use this curriculum in whatever ways that prove reasonable and beneficial toward their goals. It is designed to be adaptable in various contexts and for study by adults and by older teens.

We are indebted to AARP for providing background materials on Social Security that inform this curriculum. Included are two reprints from AARP's magazine that reflect many of the same issues that concern the National Council of Churches.

TO THE GROUP LEADER:

The following notes will help you prepare in advance of study sessions.

If you already know who the participants in the study group will be, you are encouraged to provide them with the background readings so that participants will already be familiar with them when the study group meets. If time permits, you might want to extract summary points from the background readings as a quick reference for you as well as for those who did not have the opportunity to read the documents in their entirety. These summary points would work well as a PowerPoint, overhead, or newsprint presentation or as an additional handout.

The curriculum provides for two 90-minute sessions. Depending on the time available for your group and the age of the participants, you may wish to break the curriculum into four 45-minute sessions.

Do consider the makeup of your study group (age, gender, group size, etc.). If the group is large, you might consider some time for small group discussion in addition to general discussion in the larger group. If it is a youth group, consider how a teenager who has his or her first part-time job or whose parent has died will take an approach to the issue of social security that differs from that of a young adult who has begun a career and/or family. Likewise, a group of middle-aged parishioners, who may be thinking about retirement, or retired seniors, some of whom may be widows and widowers, will have different questions than will youth and young adults. Keeping age and life situation factors in mind can focus and enrich group discussions. You, as the leader, should keep all of these elements in mind as you plan and facilitate the learning experience.

Remember, persons learn in many different ways. You will need to adapt this basic curriculum framework to address those different learning styles. Be bold and creative! Icebreakers, story telling, letter writing, etc. can all be great learning methods for youth and adult learners. You may also want to supplement this curriculum by inviting guest speakers to share their knowledge on the subject with your group. News clips on the issue from local and national newspapers and Web sites, or video clips of television news stories all can be quite informative.

You might consult your denominational offices to see what worship resources they can offer to help you develop an opening devotional period linked to the biblical passages suggested in this curriculum. Prayers, litanies, songs, reflections and other resources on the themes of compassion, love, justice, and stewardship can add tremendous depth and meaning to the learning experience. Of course, each participant, with his or her own perspectives, insights, experiences and testimonies, is a resource. There might be others in the congregation who also can serve as resources; do not hesitate to solicit and utilize their gifts.

Additional Discussion Leader Guidance:

SESSION ONE

How does Social Security work?
What are my faith concerns?

Objectives:

- **Understanding how Social Security works; who is covered; how it's financed**
- **Reflecting on how this issue relates to faith concerns and priorities**

Before the group meets:

Decide which biblical passage(s) might be explored during this session and review the suggested discussion starters in light of how they probe relevant questions and issues arising from the text(s). Suggested passages are cited on page 6.

Possible Discussion Starters:

- How does this passage connect with the issue of Social Security? What are the parallels? The disconnects?
- Who are the actors in this passage? What are their actions, responses, feelings? What do we glean?
- What is the role of government/society in this passage?
- What faith principles stand out for you?

Review the readings for Session One:

- Social Security—Background Information
- Myths and Truths About Social Security
- To Preserve and Strengthen Social Security: Religious Organizations' Statement of Principles

In addition to the prompts in the lesson outline consider the following for use during the session:

- As participants think about people they know who receive Social Security benefits, remind the group that Social Security is not only for retirees, but also for persons with disabilities, children and widows. Ask whether people realized that all these types of individuals could qualify for Social Security. Ask people to think about the individuals they know who receive Social Security checks, and to what extent they might be able to weather substantial benefit cuts.
- Explore with the group the parts of the Religious Organizations' Statement of Principles that most speak to their faith concerns. Be sure to consider compassion, economic security, equity, fairness, progressivity and stewardship of the public trust.
- Allow time to wrap up the discussion: Recap major points; ask for any additional questions or comments.
- Toward the end of the session, very briefly preview the two types of proposals for change being made regarding Social Security: One approach is to make modest adjustments that maintain the structure of Social Security—the sort of minor adjustments that have been made over the history of the program. The other approach is to set up private accounts, and to implement cuts in guaranteed benefits to reflect the reduced funds in the Social Security program. Let participants know that these two approaches will be discussed in more detail in Session Two.

Additional Discussion Leader Guidance:

SESSION TWO

What are the major reform proposals? What is my faith response?

Objectives:

- **Understanding major reform proposals that maintain the integrity of Social Security; understanding privatization and price indexing (what those proposals mean and what impact they would have on people)**
- **Reflecting on what our faith responses will/should be and why**

Before the group meets:

Decide which biblical passage(s) might be explored during this session and review the suggested discussion starters in light of how they probe relevant questions and issues arising from the text(s). Suggested passages are cited on page 6.

Possible Discussion Starters:

- How does this passage connect with the issue of social security? What are the parallels? The disconnects?
- Who are the actors in this passage? What are their actions, responses, feelings? What do we glean?
- What is the role of government/society in this passage?
- What faith principles stand out for you?

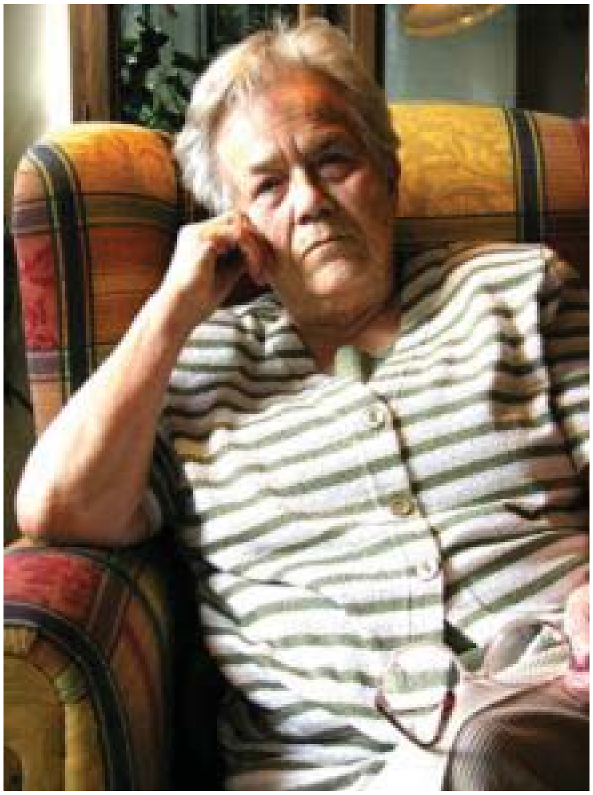
Review the readings for Session Two:

- What's the Big Idea?
- Social Security: Proposals for Privatization and Price Indexing
- Take Action for Social Security

In addition to the prompts in the lesson outline consider the following for use during the session:

- Solicit reactions to "Social Security: Proposals for Privatization and Price Indexing." What do participants think of those ideas?
- Similarly, review the proposals in "What Is the Big Idea." What do participants think about those ideas? Do they like some of these ideas better than others?
- Ask which of the options listed might be compatible with the Religious Organizations' Statement of Principles? Which options would not be compatible with those principles?
- How has the study increased awareness of Social Security issues? Has it stimulated a desire to take action? Explore action steps that might be taken—as a group or individually (e.g., setting up a meeting with your area's Representatives/Senators; writing letters/calling/e-mailing Representatives/Senators; sending letters to the editor; educating others in the congregation about this issue; etc.)
- Allow time at the end of session to wrap up the discussion: Recap major points; ask for any additional questions or comments.

SCRIPTURAL PASSAGES FOR STUDY AND REFLECTION



Security for the Future:

Genesis 41

Honoring Father and Mother:

Matthew 15:1–9
Mark 7:1–13
(Additional references can be found in Exodus 20:12, Deuteronomy 5:16, Ephesians 6:1–3)

Government Enabling Those with Disabilities and Survivors:

2 Samuel 9:1–13

Enabling the Widow and Orphan:

II Kings 4:1–7
(Additional references can be found in Deuteronomy 10:17–22, Deuteronomy 14:28–29, Deuteronomy 24:17–22, Deuteronomy 26:12–15)

SESSION ONE

How does Social Security work? What are my faith concerns?

Objectives:

- **Understanding how Social Security works; who is covered; how it's financed**
- **Reflecting on how this issue relates to faith concerns and priorities**

Introductions (if necessary)

Opening/ Gathering (Devotional Period, Prayer, Music, Silence)

Introduction of the Subject

Reading/Discussion of Selected Biblical Passage(s)

Reading/Discussion of Background Reading(s)

Readings for Session 1

- Social Security—Background Information
- Myths and Truths About Social Security
- Religious Organizations' Statement of Principles

Discussion Starters

- What does the Religious Organizations' Statement of Principles for Social Security mean to you?
- Who do you know who receives Social Security?
- In what ways does Social Security meet the Religious Organizations' principles?
- If Social Security were cut, what impacts would that have on people?
- Looking at Myths and Truths, are there any particular surprises?

Preview of Next Study Session (Identifying readings, assignments)

Closing (Prayer, Music, Silence, etc.)

READINGS FOR SESSION ONE

Social Security — Background information

Social Security is the most successful program in our country's history. It is a promise that our nation has made to America's workers, their families and retirees. Social Security was enacted to replace a portion of wages. In doing so, it allows people to maintain dignity and independence.

Over the years, Social Security has been re-tuned periodically to keep up with various changes. Today, Social Security is financially strong and in no danger of "going broke" anytime in the next several decades. Modest adjustments would keep Social Security in balance for the next 75 years.

How Social Security Works

Workers (and their employers) pay taxes into the Social Security system. When those workers retire or become disabled, they can apply for the benefits they've earned. Social Security replaces income in retirement or in the event of disability; it also provides life insurance. Thus, Social Security protects all age groups.

Many people do not realize just how valuable Social Security is to them. An individual would have to save an additional $250,000 while working to replace the benefits Social Security provides over an average retirement lifespan.

The amount of Social Security retirement benefit checks is based on several things:

- How much time the worker spent in the workforce
- How much money the worker earned
- The age when the worker starts receiving benefits

To qualify for Social Security retirement benefits, a person must have worked at least 40 quarters in jobs covered by Social Security. The longer one works, and the more money one makes, the higher the Social Security benefit will be.

Social Security's benefit formula is designed to favor the lower-wage worker who might not have as much opportunity to save. For example: In retirement, low-wage workers will get about 50 percent of their wages replaced; average-wage workers will get about 40 percent of their wages replaced; and, workers who always paid the highest Social Security contributions will get about 25 percent of their wages replaced. So, while higher-wage workers will get a larger Social Security check, lower-wage workers will get a check that replaces a higher proportion of their wages.

Workers can start receiving Social Security retirement benefits at age 62. If a worker waits until he or she is older to start receiving benefits, that worker will get more money each month. When a worker qualifies for retirement or disability benefits, his or her spouse and dependent children also can receive monthly checks. Survivors can collect benefits if a worker dies.

Who Receives Social Security Benefits?

Social Security protects workers and their families during their working lives and in retirement. One in three beneficiaries today is not a retired worker. Social Security reflects our country's commitment to the economic security of workers, retirees and their families. Following is a quick summary of the situations Social Security covers.

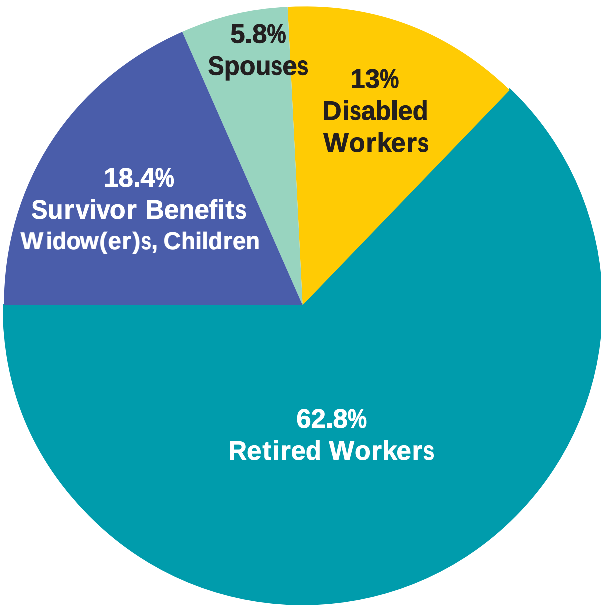
RETIREMENT: Social Security is the principle source of income for two-thirds of older Americans, and virtually the only source of income for one-third of older Americans. Retired workers make up 62.8 percent of Social Security beneficiaries.

DISABILITY: Social Security provides a guaranteed foundation of income for workers who become too disabled to work. It also provides support to their spouses and dependent children. Social Security disability checks represent 38 percent of income for such families. Thirteen percent of Social Security beneficiaries are workers who have become disabled.

SURVIVORS: Social Security provides support to dependent children, widows and widowers when a worker in their family dies. Survivors make up 18.4 percent of Social Security beneficiaries.

SPOUSES: Non-working married partners receive benefits based on the work record of their spouse. Spouses (mostly wives) make up 5.8 percent of Social Security beneficiaries.

Who gets Social Security benefits?



Source: Social Security Administration

The Importance of Social Security Income

Social Security has dramatically improved the economic status of older Americans. Social Security lifts nearly 13 million older Americans out of poverty. It also lifts one million children above the poverty line.

For many people, retirement income will include not only Social Security, but also pensions and savings, health insurance and continued earnings. Yet only half of working Americans have a pension available at their work, and many of those are now 401(k) plans in which workers absorb more risk. Personal savings are at an all-time low and personal debt is at an all-time high. Rising health care costs are putting a strain on retirement—millions of older Americans are spending a third or more of their retirement income for health care. And many older Americans are working longer to pay for their kids' education, assist elderly parents, save adequately for retirement and meet ever-rising health care costs. As other parts of retirement income and expenses come under increasing pressure, Social Security's foundation of income is crucial.

Social Security's guaranteed income is important because:

- It is guaranteed for life and is adjusted to keep pace with inflation.
- It provides a strong, unshakable financial base that does not depend on a person's investment savvy.

Special Importance of Social Security to Low-wage Workers, Women, Hispanics and African-Americans

Social Security benefits are progressive. Social Security's progressive benefit formula ensures that lower-wage workers and their families receive a higher return relative to their contributions than high-wage workers. Private accounts would not redistribute income this way.

Social Security is crucial to women: It's the main source of income for women in old age. It is particularly important for older women of color, who are less likely to have income from private pensions or assets. Without Social Security, half of older women would be in poverty (compared with 12 percent today). Many women spend years out of the paid workforce to provide family care, yet they still are protected through Social Security's progressive benefit formula, spousal benefits and survivor benefits: Wives, and divorced women married at least ten years, are entitled to the 50 percent spousal benefit through Social Security; widows receive a benefit representing 100 percent of their current or former husband's benefit. Further, as women tend to live longer than men, Social Security's lifetime inflation-protected benefits are critical. Private accounts would not provide such protections to women.

Social Security is the only source of income for one in three older African Americans. Social Security's family benefits are particularly important to African Americans: More than 22 percent of children receiving Social Security survivor benefits are African Americans and more than 16 percent of those receiving widow's benefits are African Americans. Due to disproportionately difficult health and working conditions affecting them, African Americans represent more than 11 percent of civilian workers but comprise almost 18 percent of workers receiving Social Security Disability Insurance. Regarding retirement benefits and longevity, African American and white men have similar life expectancies at age 65: the difference is 1.8 years. That is, life expectancy at age 65 is 14.5 more years for African-American men, compared with 16.3 more years for white men.

Hispanics are growing as a proportion of the nation's older population. More than 75 percent of older Hispanics receive Social Security benefits. Three-fourths of older Hispanics rely on Social Security for half or more of their total income; 38 percent rely on Social Security for their total income. Without Social Security, almost 33 percent of older Hispanics would fall into poverty. Older Hispanics' poverty rate of almost 22 percent is already more than twice that of the general population over age 65.

How is Social Security Financed?

Social Security benefits are adequately funded for another 36 years. According to Social Security trustees, even with no changes, Social Security will still be able to pay 73 percent of full benefits after 2041. This is because taxes paid by current workers will continue to flow into the system, and can be used to pay benefits.

Many people are under the impression that Social Security is broken, unable to fulfill its promise to the people who have contributed to it over the years. The fact is, the Social Security trust funds aren't just sound, they're building a surplus. Today, that surplus is more than $1.6 trillion and it's projected to increase to $3.7 trillion by 2014. That's a lot of money. But it's necessary as we prepare for the boomers. Back in the early 1980s, the President and Congress took the first steps to strengthen Social Security and get it ready for the future. The stockpile has been building, and it will continue to grow well past the time the first boomers reach retirement age.

How is that possible? Today, 157 million workers are paying into the system, helping build that reserve. Add to that the nearly one in three retired Americans who are contributing to the trust funds by paying taxes on their Social Security. It all adds up. The income in the Social Security trust funds is earmarked to pay for benefits and administrative costs. Right now, there is more money coming in than is going out. The extra is deposited into the trust funds.

Some people who want to scrap Social Security call the government's investment in Treasury Bonds an accounting trick. Others think it's just good, thoughtful and conservative investing.

It's natural that people are confused and wonder what these trust funds are and where the money goes. Here's how it works, plain and simple: the Social Security trust funds buy interest-earning special U.S. Treasury bonds—similar to the government bonds pension funds and private investors buy. That's easy to understand. Last year, the Trustees invested the Social Security surplus, buying special Treasury Bonds that are earning interest in the trust funds. When we need to use them, the Treasury Bonds will be cashed.

These bonds aren't only safe; they're also earning approximately 6 percent in annual interest. There you have it. For over two hundred years, in good times and in bad, these government bonds have paid off. Meanwhile, Social Security continues to run very efficiently, with overhead costs of less than one percent.

The problem isn't as big as you might have heard. Without any kind of change at all, Social Security will do just what it's been doing — paying 100 percent of promised benefits — until 2041. After that, if nothing is done, Social Security will still be able to pay nearly three-quarters of promised benefits. There are many good options available to close that gap and assure 75 years of guaranteed benefits.

This article is based on materials provided by AARP.

Myths and Truths About Social Security

Yes, the system needs some adjustments, but we don't need to destroy it in order to fix it.

Social Security is the ultimate support system, a monetary cushion for grandmothers and granddads, but also a lifeline for widows, widowers, divorcées, orphans and people with disabilities. For the average American over 65, Social Security makes up nearly 40 percent of their income. For about 20 percent, it is their only income. The system has worked well for some 70 years now with few adjustments. These days, it's on everyone's radar. That's because President Bush has put Social Security reform at the top of his second-term to-do list. He and many others argue that big changes are necessary if Social Security is to survive, much less thrive. But there are those, the AARP included, who believe a radical overhaul could spell disaster—the end of Social Security as we now know it.

Is the current Social Security system really at death's door, or are the rumors of its demise greatly exaggerated? Following are some common misconceptions.

MYTH: A system of private accounts would save Social Security.

The buzz phrase being bandied about by those who favor privatization is "an ownership society." They favor taking a portion of Social Security taxes and diverting it to individuals to invest. They say such a system would give workers ownership of their money. It would allow taxpayers to put their own dollars into stocks, bonds and other investments that would pay them a higher return.

Those who oppose privatization, including AARP, argue that setting up private accounts would effectively scuttle Social Security. "Siphoning money from Social Security will not strengthen it," says David Certner, AARP's director of federal affairs. "It will just make the problem much worse."

First, the transition costs alone would be crushing—as high as $2–$3 trillion, according to AARP's own economic analysis. "The amount of additional national debt that would generate could eat into any returns people might actually get from a private account system," says Barbara Kennelly, president and CEO of the National Committee to Preserve Social Security and Medicare, a 3.2-million-member organization located in Washington, D.C. Second, diverting a portion of Social Security money to private accounts means that there would be fewer dollars available to pay Social Security benefits. That would leave the whole system with less of a reserve, as well as less cash on hand to pay beneficiaries. This situation would lead to hard choices: cutting benefits, raising taxes, or doing none of the above and watching the trust fund run out of cash sooner.

According to a letter entitled, "The Consequences of Social Security Privatization," signed by Congressmen Charles B. Rangel (D-NY) and the late Robert T. Matsui (D-CA), diverting a portion of workers' current Social Security contributions to private accounts "blows a hole in the Trust Funds…and directly threatens our ability to pay current retirees." They predict that under privatization the trust fund reserves will be wiped out by 2021, a full 20 years sooner than if the system had been left alone.

MYTH: Private accounts will give individuals more control.

People already have control over their money when they invest in private pensions, IRAs and 401(k) plans. When combined with the solid foundation that Social Security provides, these are excellent vehicles for retirement savings. "What we should be doing is making these work better," says Peter R. Orszag, a senior fellow of economic studies at the Brookings Institution in Washington, D.C.

MYTH: Individuals will get higher returns with private accounts.

Surely you can do better with your investments than a big bureaucratic government agency can, say those who favor private accounts. Well, the truth is, some people may do better. But who's going to pay for the care and feeding of all those who do worse?

"Under privatization, current workers will have to pay three times," says Certner. "Once to ensure the benefits for those currently at or near retirement, once for themselves and once more for those whose investments didn't pan out." In the current Social Security system, the risk is near zero. You know it will be there regardless of what the market does. That's because United States Treasury bonds don't crash when the stock market does.

So what can be done? Yes, the Social Security system needs some work, but there's nothing so seriously wrong with it that some due diligence and nonpartisan intervention and planning can't repair. "There's no need to take the risky step of privatization," says Kennelly.

MYTH: The 77 million Baby Boomers marching toward retirement are going to break the system.

Advocates for radical reform point out that once the boomers retire they will start taking more money out of the system than younger workers are putting in. The oft-cited statistic is that by 2040 there will be just two workers for each retiree. (Today there are just over three workers for each retiree.) But that fact, while accurate, fails to acknowledge that workers today are more productive, earn higher wages and plan to stay in the workforce longer—all factors that will help fill the future gap. In fact, in the near term, this population juggernaut, being at the peak of its earning years, is currently helping to amass a huge surplus in the fund.

Once boomers start retiring, sure, that's going to put a strain on the system. "But it isn't going to be Armageddon," says Kenneth S. Apfel, former commissioner of the Social Security Administration and current member of the faculty at the LBJ School of Public Affairs at the University of Texas at Austin.

We can strengthen Social Security by making small adjustments, just as we've done in the past. These include raising the cap on wages subject to Social Security (currently you're taxed on income up to $90,000) and investing part of the Social Security surplus in other vehicles that pay higher interest than Treasury bonds do.

MYTH: Social Security is broke.

Those who argue that Social Security needs a dramatic reorganization begin with this premise: the system is failing; Social Security isn't sustainable in its present form. From there, the argument goes that what's best for the country is some form of privatization. With privatization, a portion of the Social Security taxes now paid would be diverted into an account that each taxpayer would control themselves. (Under the current system, all surplus Social Security revenue is invested in special U.S. Treasury bonds.)

So, is Social Security about to go bust? Not by a long shot. In fact, Social Security is in better shape today than at any other time since it was enacted in 1935. That's because of some judicious adjustments suggested in 1983 by a commission set up by Ronald Reagan and headed up by Alan Greenspan. Since then, trust fund reserves have gone from nearly zero to $1.6 trillion.

Social Security trustees acknowledge that by 2028 the system will need to start redeeming the bonds in its reserve, but they calculate that the fund will be able to meet 100 percent of its obligations until 2041. By that date, the principal will be exhausted, but the system will still bring in enough revenue from taxes to pay nearly 75 percent of benefit amounts. (An even rosier Congressional Budget Office report says the system will be able to pay full benefits until 2052, and 80 percent after that.)

MYTH: The fund starts getting into trouble in 2018.

Not true. The year 2018 is when Social Security benefit payments are expected to exceed payroll tax revenues.* That's not exactly cataclysmic. Reason: from 2018 through 2027, incoming tax revenue combined with interest earnings from trust reserves will still be enough to maintain a positive trust fund balance and pay benefits. Beginning in 2028, as mentioned, the trust fund principal will have to be tapped, and that'll get us through 2041—even if we do nothing.

* According to the 2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds

Clearly a tune-up is needed to extend Social Security's life beyond that horizon. "But dismantling the whole system would be like buying a new car because the one you have has a flat tire," says Orszag.

MYTH: The Social Security reserves are only on paper.

Well, yes, but that paper is U.S. Treasury bonds, which have been earning a combined interest rate of about 6 percent a year. For more than 200 years, in good times and bad, during wars and depressions, American bonds have always paid off. They're one of the safest investments in the world. In 2003, some $80 billion, about 13 percent of Social Security's total income, came from the interest from these bonds.

To Preserve and Strengthen Social Security: Religious Organizations' Statement of Principles

We, the undersigned religious organizations, come from diverse religious traditions, yet our communities speak with one voice on the importance of providing compassionate care for the elderly, widows, orphans and persons with disabilities. It is the birthright of each person to live a life with dignity and with access to the basic necessities of life. It is because of our deep moral concern for the most vulnerable in our society that many of our organizations actively supported the creation of the Social Security system in 1935 and many of its later improvements.

Today, we celebrate the tremendous success of the Social Security system. For over sixty years, it has provided the foundation for a compassionate society by providing basic economic security for all participants. Its present overall structure—universal, compulsory, an earned right, wage-related rather than means-tested and protected against inflation—has served our country well. In 2004, the combined programs of Social Security provided benefits to 48 million people, including retirees, survivors and eight million people living with disabilities. Survivor benefits supported more than five million children. Without this basic income security, over 50 percent of women and 40 percent of men over age 65 would likely be living in poverty. The Social Security system has demonstrated the positive role that government can play in advancing the common good. Future generations deserve nothing less.

It is our common concern for the economic well being of future generations that brings our nation to its current discussion of the future of the Social Security system. It is a timely and appropriate discussion. It warrants careful reflection concerning the basic principles upon which the present system was founded and the moral values which bring us together in common purpose as a nation. We seek to contribute to this discussion by offering the following principles, informed by our moral beliefs and religious experience, as a basis for evaluating proposed changes to the Social Security system.

Compassion. As citizens and residents of this country, we have a collective responsibility to care for one another. The federal government should continue its important, effective and efficient role promoting a compassionate society through the Social Security system.

Economic security. Social insurance should remain a basic part of our society. Disability and survivor insurance must be maintained. Security for the elderly, survivors and persons with disabilities should not be left to the vagaries of fragile family support systems, voluntary charity or economic cycles.

Equity, fairness and progressivity. The present overall structure of the Social Security system—universal, compulsory employee and employer contributions, an earned right, wage-related rather than means-tested and protected against inflation—should be preserved and strengthened. Overall, the costs and benefits should be distributed progressively in proportion to each person's ability to pay and level of need. Care must be given to assure that segments of the population are not systematically disadvantaged due to gender, race or marital status.

Savings and pensions. Social Security is intended to be the third leg of a three-legged stool, the other two legs being personal savings and employer-provided pensions. Congress should encourage personal savings and employer pensions in addition to (not as a substitute for) the current system, and, especially, it should explore ways to help low- and middle-income households save more for their future.

Stewardship of the public trust. Congress has a moral obligation to fulfill its trust responsibilities to those who have contributed through their payroll taxes to the Social Security trust fund. Congress must also assure that future beneficiaries will receive benefits sufficient to meet their basic needs, that trust fund revenues and expenditures balance over time, and that future generations will not be unfairly burdened by this generation's debts.

We believe the strength of our country is measured best by the compassion we show to one another in our times of greatest need and vulnerability. In the months ahead, we will continue to look at new proposals to modify the Social Security system through the framework of our moral beliefs and religious experiences. We will seek to engage with members of Congress and the public to help discern the best way to strengthen and preserve the Social Security system so that future generations may continue to benefit, as we do now.

Organizational sign-ons as of April 26, 2005

African Methodist Episcopal Church
Call to Renewal
Church Women United
Episcopal Church USA
Evangelical Lutheran Church in America
Friends Committee on National Legislation
Jewish Council for Public Affairs
National Advocacy Center of the Sisters of the Good Shepherd
National Council of Churches USA
National Council of Jewish Women
NETWORK: A National Catholic Social Justice Lobby
Presbyterian Church (U.S.A.) Washington Office
Union for Reform Judaism
Unitarian Universalist Association of Congregations
United Church of Christ Justice and Witness Ministries
The United Methodist Church—General Board of Church and Society

SESSION TWO

What are the major reform proposals? What is my faith response?

Objectives:

- **Understanding major reform proposals that maintain the integrity of Social Security; understanding privatization and price indexing (what those proposals mean and what impact they would have on people)**
- **Reflecting on what our faith responses will/should be and why**

Introductions (if necessary)

Opening/ Gathering (Devotional Period, Prayer, Music, Silence)

Brief Review of Subjects Covered in Previous Session

Reading/Discussion of Selected Biblical Passage(s)

Reading/Discussion of Background Reading(s)

Readings for Session 2

- What's the Big Idea?
- Social Security: Proposals for Privatization and Price Indexing
- Take Action for Social Security

Discussion Starters

- Which of the options listed might meet the Religious Organizations' Statement of Principles?
- Which options would not meet the Religious Organizations' Statement of Principles?
- What action steps would you like to consider, as a group or individually, to make your voices heard?

Closing (Prayer, Music, Silence, etc.)

READINGS FOR SESSION TWO

What's the Big Idea?

There's more than one solution for Social Security. Here are nine ways to keep the system solvent.

The Social Security debate boils down to one key question: Can the current system handle the retirement of the baby boomers—the nearly 77 million Americans born from 1946 through 1964—and still be in good shape for the generations that follow?

Today the system is taking in more than it spends. If nothing is done in the meantime, that situation will be reversed around 2018—some 10 years after the oldest boomers turn 62 (the age of first eligibility for benefits).

Although estimates vary, Social Security should have sufficient funds to pay full benefits until sometime between 2042 and 2052. But rather than cash in the bonds held by the system's trust funds—which would require the government to raise taxes, borrow money or cut budgets because lawmakers have been tapping the funds to cover other expenses—many experts agree that it would be better to take steps soon to keep the system solvent.

The debate about creating private savings accounts is actually a distraction because, as President Bush has acknowledged, the accounts would do nothing to shore up Social Security's balance sheet. Money siphoned off to fund the accounts would have to be replaced in order to continue paying the benefits promised to those already retired or approaching retirement. There's little disagreement that carving private accounts out of Social Security would make balancing its books much harder.

So what would help? Social Security actuaries and Congressional Budget Office analysts agree that the system could be kept solvent for the next 75 years—longer-range forecasting is meaningless—if either of two changes were made immediately: raise the combined employer-employee payroll tax rate from the present 12.4 percent to about 14.3 percent—that's a 15 percent hike in total payroll taxes. Or cut benefits by about 13 percent.

No one, of course, is suggesting such changes. But the numbers are useful in showing that Social Security doesn't face an unbridgeable financial gap, let alone bankruptcy. Revenues and expenses over the next 75 years are projected to be quite close: Social Security's trustees anticipate a shortfall equal to less than 2 percent of payroll (total taxable earnings).

Experts and politicians have floated many ideas about how to close that gap. Here are nine ways to increase revenue and trim costs.

Raising Revenue

1. Raise the cap

In 1983 Congress agreed on a goal of taxing 90 percent of all wages in covered employment. Under present law, earnings above a specified cap—which rises as average wages rise and is currently set at $90,000—are not taxed. But incomes of the nation's highest earners have risen much faster than those of lower-income workers, with the result that about 15 percent of total earnings now goes untaxed. Many experts advocate taxing more of those high-end earnings, and President Bush hasn't explicitly ruled it out.

Former Social Security Commissioner Robert M. Ball proposes lifting the cap gradually so that by 2045 it will once again capture 90 percent of all covered earnings. "This isn't a new tax," he notes. "It simply restores a policy already set by Congress—so it should attract bipartisan support."

The change would affect only about 6 percent of all taxpayers, but the increased net revenues would cut the projected shortfall by about 32 percent—or up to 40 percent if phased in faster.

A variation on this theme has been suggested by Sen. Lindsey Graham, R-S.C., who favors a "doughnut hole" approach: taxing earnings up to the present cap, exempting earnings up to a specified level above that, then taxing the highest earners of all. That way, he says, upper-middle-class earners wouldn't be saddled with increased taxes. Graham would use the increased income to help meet the multi-trillion-dollar costs of transitioning to a system that includes private accounts.

2. Increase the payroll tax rate

Economists Peter Diamond and Peter Orszag would very gradually increase workers' contributions and matching employer taxes from 12.4 percent of payroll to about 15 percent over 70 years.

Here's one way to think about the idea: Would you be willing to pay a 21 percent increase in premiums over several decades to maintain an insurance policy that protects you against lost earnings from disability, pays benefits upon your retirement as long as you live, and pays benefits to your survivors when you die? If the answer is yes, then this is an idea worth keeping on the table. It's estimated that such a payroll tax increase could eliminate 100 percent of the long-term revenue shortfall.

On the other hand, the payroll tax is already high. Pushing it higher could be too hard on lower-wage workers. And President Bush has said he would consider just about any idea "except running up the payroll tax rate."

3. Raise taxation of benefits

It's often said that Social Security wastes billions paying benefits to affluent retirees who don't need any help. As one Washington reporter put it, "My mom says her Social Security checks just cover the payments on her Jaguar."

The fairest way to fix this problem, some believe, is not to deny benefits to people who do well in life—that would penalize success—but to increase the taxation of benefits so that higher-income beneficiaries would make a greater contribution to keeping the system solvent. This change would reduce the shortfall by about 10 percent.

4. Preserve some of the estate tax— and dedicate it to Social Security

The estate tax is being reduced in stages. Instead of being phased out entirely, as President Bush proposes, it could be kept at the level set for 2009, when only estates valued at $3.5 million or more ($7 million for a couple) will still be taxed. Rep. David Obey, D-Wis., among others, proposes such a plan. At that level, he notes, only one-half of 1 percent of all estates will be taxed. Doing away with the tax completely, he argues, would mean "a huge bonanza for those who are already the most fortunate in our society—at the expense of other taxpayers." This change would reduce the shortfall by about 27 percent.

5. Make Social Security universal

About 30 percent of all state and local government employees are not covered by Social Security. Many experts suggest that newly hired employees be brought into the system and share the obligations and the benefits. But some public employees would object, worrying that they might end up with less protection; and some state and local governments would be reluctant to pay their share of the payroll tax. So it's unclear whether this idea could gain political traction. Ball would give state and local governments five years to modify their employment benefit plans. Making the system universal would reduce the shortfall by about 10 percent.

6. Invest some of the trust fund in indexed funds

By law the Social Security trust funds are invested in government bonds. Putting a portion into broadly indexed stock market funds could yield higher returns. Risks would be low, because Social Security could ride out market swings far better than individuals, who might have to retire when the value of their account is down.

Several members of Social Security's 1994–96 advisory council have proposed investing 15 percent of the trust funds in indexed funds. Canada has adopted direct investment for its version of Social Security, and *Business Week* recently recommended the same thing for the United States, arguing that "it looks increasingly as if the direct-investment approach would be cheaper and entail less risk."

Objections that the government might try to influence the market, either for "political correctness" (for example, buying no tobacco stocks) or to prevent downswings, have lost some force lately because President Bush's private accounts plan, at least for now, also calls for having the government manage the funds. Depending on the amount invested, improved returns could reduce the shortfall by 15 to 45 percent or more.

Other ideas to raise revenue include:

- Provide for a small increase in the payroll tax rate 40 or 50 years from now, if needed to maintain a 75-year balance
- Tap new sources, such as a value-added tax on goods and services
- Partially fund Social Security from general tax revenues (an idea that could work if there were budget surpluses, but not with today's enormous deficits)

Actuaries agree that Social Security's shortfall would more than disappear if the relatively modest ideas outlined here were adopted. Some ideas aren't likely to generate broad political support, but the math shows that even some selections from this menu could keep the system solvent far into the future.

Trimming Costs

Lawmakers have to worry about more than taking care of Social Security. Medicare faces major funding pressures, as does the federal-state Medicaid health insurance program. So there are arguments for slowing the growth of Social Security benefits.

Any proposal that cuts benefits outright should be approached with caution. Benefits were trimmed when the system's financing was addressed in 1983. As a result, Social Security today provides less retirement income as a percentage of prior earnings than in the past, and the replacement rate, as it's called, will continue to drop. For a medium earner it was 41.2 percent in 2000; by 2030 it is expected to be 36.5 percent. Moreover, the rising cost of Medicare Part B premiums is expected to have the effect of further reducing benefits by an estimated 9 percent on average by 2030. Here are a few cost-trimming ideas:

7. Adjust the COLA

Social Security's annual cost-of-living adjustment (COLA) increases benefits to keep up with inflation. It protects 48 million beneficiaries whose buying power would otherwise dwindle over time. The COLA is determined by the Consumer Price Index (CPI), a measure that may overstate inflation by failing to fully reflect the purchasing substitutions that consumers make as prices rise.

The Bureau of Labor Statistics has developed a more accurate CPI, and Federal Reserve Chairman Alan Greenspan, among others, suggests adopting it. Although this would produce only slightly smaller COLAs, it would cut the long-term shortfall by about 18 percent. But many beneficiaries think the present COLA isn't sufficient and would consider this an unjustified benefit cut.

8. Raise the retirement age

The normal retirement age—the age of eligibility for full benefits—is slowly increasing from 65 to 67. (It will reach 67 in 2027, for workers born in 1960.) Workers can still retire as early as 62, but with benefits reduced a fraction of a percent for each month before full retirement age.

One idea is to continue raising the normal retirement age as life expectancy rises. Edward M. Gramlich, a Federal Reserve governor who chaired the 1994–96 Social Security advisory council, is among those favoring this approach. Gradually increasing the retirement age to 70, he says, would make a "huge impact" but would be "hugely controversial" because people would think they had to work longer. Not so, he insists, because people could still retire earlier, although with lower monthly benefits. A "slight cut in the growth of future benefits," he says, is a fair way to deal with the fact that retirees are likely to live longer—and collect more in benefits—than in 1935, when the retirement age was set at 65. Raising the retirement age to 70 would cut the shortfall by about 36 percent.

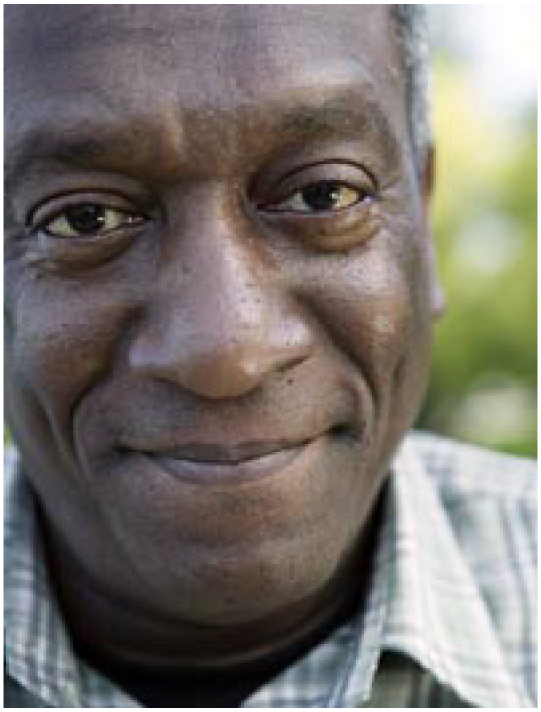
9. Index benefits to prices, not wages

Social Security benefits are determined by how long you work, how much you pay in and by other factors, including the general rise in average wages over time. "Wage indexing" has helped lower the proportion of retirees living in poverty from 35 percent in 1960 to 9 percent today.

President Bush and others have raised the idea of indexing initial benefits to prices rather than wages. Since prices generally rise more slowly, this would slow the growth of future benefits—as much as 46 percent on average over the next 65 years, according to economists Diamond and Orszag. Cutting benefits that much could have severe consequences. The Congressional Research Service reports that if benefits had been linked to prices rather than wages since 1940, poverty rates among the elderly would be three times as high as they are now, placing a tremendous burden on public assistance programs.

Another idea is to mix both types of indexing, using wage indexing to protect the benefits of lower-earning workers and price indexing to reduce the benefits of higher earners. Greenspan has reportedly explored this idea with Graham. A major drawback, however, could be that if the returns on their contributions to Social Security are reduced too much, higher earners would have a strong motivation to oppose Social Security entirely.

One of the reasons why Social Security has worked well for 70 years is that most people feel the system is fair. Social Security has always paid comparatively higher benefits to lower-earning workers, who might otherwise end up on welfare even after paying into the system throughout their working lives. But few people—except perhaps those opposed to the idea of social insurance—have felt betrayed by its redistributional structure. They may not fully understand how the system's machinery works (very few people do), but they believe it produces basically fair outcomes.



For that reason alone it's important not to rush into anything. Most Social Security experts agree that the system isn't in crisis. There's ample time, they say, for the country's leaders to choose wisely from the available options and come up with a broadly acceptable solvency plan.

Social Security: Proposals for Privatization and Price Indexing

Social Security has enough funds to pay full benefits through 2041; after that, it will have 73 percent of funds needed to pay full benefits. There are various ways to fill that gap, to assure that Social Security continues to keep its guarantee for 75 years into the future, and beyond.

Social Security needs to be strengthened, but we need to make sensible decisions about the program, in a way that maintains the security and adequacy that have made Social Security work for our families.

Critics of private accounts and of price indexing—two proposals described below—believe that these measures would erode Social Security. These proposals often are suggested together. In the first, funds would flow to private accounts, reducing the funds available to Social Security; the second would result in benefit cuts to middle-class families.

Private Accounts

Opponents of private accounts say that draining money from Social Security will cut guaranteed benefits, create a mountain of debt, and pass the bill to future generations. This approach also will worsen Social Security's long-term health, they say. According to their analysis:

- Draining money from Social Security to set up private accounts would leave less money in the system. That would force cuts in Social Security benefits to retired and disabled workers and their families, widows and surviving children.
- Draining money from Social Security to set up private accounts would require borrowing up to $2 trillion, in order to make good on promised benefits. That means that most workers would have to pay twice to create this new system—once to continue benefits for current and near-term retirees—and again to fund the private accounts. The mountain of debt generated would be passed to the next generation.
- Draining money from Social Security to set up new private accounts would mean replacing Social Security's guaranteed benefit with a risk. For some, that might work out OK, for others, it won't.
- Social Security has a benefit formula that is progressive (returning a higher proportion of wages to lower-wage workers). However, private accounts would not redistribute funds this way. Losing a portion of this progressive benefit would put additional pressure on low-wage workers and their families in retirement, or in the event of disability or early death.
- Private accounts would put more pressure on women, who tend to live longer, earn less and are far more likely than men to take time out of the labor force for care giving. Private accounts may not have protections such as inflation-adjustment, defined-benefit and lifelong guarantee.
- Social Security protects persons with disabilities and their families, as well as adult children with disabilities, widows and young children when a breadwinner dies. Private accounts that drain money from Social Security are not likely to have enough funds to maintain the same level of disability and survivors' insurance as Social Security provides today.

Progressive Price Indexing

Today, Social Security calculates each beneficiary's initial benefit amount in a way that accounts for rising productivity during one's work life. That is, Social Security indexes wage histories to overall growth in wage levels. This means that each generation receives Social Security benefits that reflect the living standards of their time.

To cut Social Security benefits, some propose changing the way Social Security calculates the initial benefit level—to freeze the real value of earnings. Because prices increase more slowly than wages, this would result in deep middle-class benefit cuts. Under progressive price indexing, the very lowest-wage workers would not be subject to these cuts and those with slightly higher incomes would get part of this benefit cut. Yet overall, middle-class workers still would experience deep benefit cuts.

These benefit cuts would get even deeper, over time. Today's youngest workers would experience the greatest cuts. Eventually, progressive price indexing would mean that all workers receive about the same benefit.

Progressive price indexing would not only mean huge benefit cuts, it also would break the link between what workers pay into Social Security and what they get out. This would break Social Security's promise that the benefit you receive will reflect what you paid into the system. One of the greatest strengths of the Social Security program is that it is supported by all parts of American society. Progressive price indexing could weaken support for Social Security.

Additionally, Social Security is progressive today. Lower-wage workers get a greater proportion of their contributions back, compared with higher-wage workers. Social Security is progressive, and it offers a return that reflects contributions. Many believe that progressive price indexing represents an unwise tampering with this elegant balance.

This article is based on materials provided by AARP.

Learn More About Social Security

Are you a member of the National Council of Churches' rapidly growing e-advocacy service **FaithfulAmerica.org**? It's free and it's an effective way to make a difference for the issues that matter to people of faith. FaithfulAmerica members recently have joined their voices to tell decision-makers they care about poverty, about civil rights and about inappropriate government intrusion into religious life—just to cite a few examples. In the weeks and months ahead www.FaithfulAmerica.org will be a place to go to learn more about the Social Security debate and to take action as the issue unfolds. Join today!

Visit **Americans United to Protect Social Security** (www.americansforsocialsecurity.com) for a comprehensive array of information on Social Security, a Social Security blog, action ideas and a way to estimate your loss under the currently proposed privatization plan.

Among resources available from the **AARP** (www.aarp.org) are links to diverse groups that explore Social Security from the perspectives of women, African Americans, Hispanics, persons with disability and various age groups.

Take Action for Social Security

The Social Security guarantee should be preserved and strengthened. Please contact your legislators with your views on how Social Security can best:

- Maintain security for the elderly, survivors and persons with disabilities; and/or,
- Avoid burdening future generations with new debt.

Note: If one of your representatives sits on a committee that oversees Social Security, it's particularly important that you share your views with that representative. Those committees are:

Senate Finance Committee

Charles E. Grassley, R-IA, Chairman
Orrin G. Hatch, R-UT
Trent Lott, R-MS
Olympia Snowe, R-ME
Jon Kyl, R-AZ
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Rating range: 1 is excellent and 10 is poor; circle the number that reflects your evaluation.

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1 2 3 4 5 6 7 8 9 10

Comments and questions:

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Create space to hear the voice of Scripture and faith teachings
1 2 3 4 5 6 7 8 9 10

Stimulate exploration of biblical understandings of economic security
1 2 3 4 5 6 7 8 9 10

Provide a basic understanding of Social Security and proposals for changing the system
1 2 3 4 5 6 7 8 9 10

Stimulate discussion of the pros and cons of various proposals for changing the Social Security system
1 2 3 4 5 6 7 8 9 10

Inspire participants to commit to actions that will preserve and strengthen Social Security
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National Council of Churches USA
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National Council of Churches USA
475 Riverside Drive
New York, NY 10115
212-870-2227
www.ncccusa.org
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