TO THE
DEMOCRATIC PARTY PLATFORM COMMITTEE

IN RE:
SOCIAL SECURITY REFORM MEASURES

PETITION FOR PLATFORM PLANK PROTECTING SOCIAL SECURITY BENEFITS FOR SENIORS

SUBMITTED BY

Richard Delaney, Chairman
Thomas A. O'Connell, Vice-Chair
Doug Osborne, Legislative Liaison
Daisy Brown, Secretary
Deborah Oelschig, Treasurer
Phil Hilinski, TREA Liaison

Seniors, Veterans, and Members of the Board of Trustees of

THE SENIOR CITIZENS LEAGUE
1800 Diagonal Road, Suite 600
Alexandria, Virginia 22314
(800) 333-8725

July 23, 2020

TABLE OF CONTENTS

Page

TSCL RECOMMENDED PLATFORM PLANKS
PROTECTING SOCIAL SECURITY BENEFITS FOR SENIORS

I. Congress should appropriate funds to the Old-Age and Survivors Insurance Trust Fund ("OASI") to recoup the losses suffered from reduced payroll taxes suffered due to COVID-19.

II. Congress should provide for a guaranteed minimum COLA of at least 3 percent each year to protect the earned benefits of Social Security recipients.

INTEREST OF THE PETITIONER

The Senior Citizens League (TSCL)[1] is a nonprofit, nonpartisan, independent seniors' education and advocacy organization, exempt from federal taxation under section 501(c)(4) of the Internal Revenue Code. Its mission is one of education and social welfare — to educate and alert senior citizens about their rights and freedoms as United States citizens, to support and assist its members and supporters, and to protect and defend the benefits which senior citizens have earned and for which they have paid. To achieve these goals, TSCL advocates the views of seniors before the United States Congress and the Executive Branch, as well as before agencies and departments of the federal government. Unlike many other nonprofit organizations, TSCL accepts no government monies.

TSCL's members have a vested interest in the continued financial integrity of the United States Social Security program and its trust funds, and TSCL therefore is greatly concerned with all policies affecting the Social Security program, including its ability to continue to provide the level of benefits that seniors need.

---

[1] The formal name of The Senior Citizens League is TREA Senior Citizens League.

On July 21, 2020, the Draft 2020 Democratic Party Platform was released to the public, containing a section entitled "Guaranteeing a Secure and Dignified Retirement." *See* Draft Platform at 23-24. That Draft Platform correctly rejects any effort to cut benefits or COLAs for Social Security recipients. However, the Draft Platform fails to offer any method to protect the long-term financial viability of the program or to ensure that there is a COLA paid. Accordingly, The Senior Citizens League urges that Draft Platform be amended to include the two proposals set out below.

PROPOSALS

I. CONGRESS MUST PROVIDE AN APPROPRIATION TO REPLENISH THE OASI DEPOSITS LOST DUE TO COVID-19.

On April 22, 2020, the Board of Trustees of the Social Security Administration issued its 2020 Annual Trustees Report, which projected that **beginning in 2021**, Social Security **expenses will exceed income** from Old Age and Survivors Insurance ("OASI") withholding. This report was issued before the shutdowns related to the coronavirus pandemic damaged the economy, and as such, "[t]he projections and analysis in this report do not reflect the potential effects of the COVID-19 pandemic on the Social Security and Medicare programs. Given the uncertainty associated with these impacts, the Trustees believe that it is not possible to adjust their estimates accurately at this time."

We have yet to see the damage to the trust funds as a result of the loss of payroll taxes, but some are projecting that the economic impact of COVID-19 will cause expenses to exceed income sooner. The abrupt and severe contraction in the U.S. economy caused by the coronavirus has far-reaching consequences for Social Security. The *Washington Post* has reported:

> Nearly 17.4 million workers were continually claiming unemployment insurance for the week ended July 4, the Labor Department said. Another 14.3 million people were claiming Pandemic Unemployment Assistance, the program newly created for self-employed or gig workers who are out of work at the moment, bringing the total number of people on all programs to **32 million unemployed**. [E. Rosenberg, "1.3 million more workers file new unemployment claims last week," *Washington Post* (July 15, 2020) (emphasis added).]

These levels of unemployment have not been seen since the Great Depression, and the wide-scale shutdowns and layoffs have reduced significantly the amount of payroll taxes flowing into the Social Security trust fund.

Additionally, the CARES Act provides employers with incentives to retain workers on the payroll through a tax credit, yet also allows employers to defer the employer portion of payroll taxes for 2020, with the taxes due in two equal installments by December 31, 2021, and December 31, 2022.

The Congressional Budget Office (CBO) recently issued a cost estimate citing the Joint Committee on Taxation's estimates addressing the combined effect of these developments:

- $406 billion in reduced Social Security revenues during 2020-2021;
- increased revenues from repayments of $339 billion during 2022-2023;
- $3 billion in higher outlays which would be due to administrative and debt costs; and
- $67 billion in reduced Social Security revenues, as some companies go out of business and would be unable to repay deferred taxes.

The CBO warns that uncertainties in its estimate of the CARES Act are high, and that actual outcomes could vary significantly.

Last year, the Social Security Trustees estimated that Social Security payroll taxes in 2020 would be about $973.8 billion under average economic conditions. A $406 billion reduction in the payroll tax could represent a reduction of as much as 42 percent of all anticipated Social Security revenues for that year.

Also putting pressure on the Social Security program, TSCL anticipates that more people than predicted will file claims for retirement benefits. With employment at record high levels just a few months ago, many older adults postponed filing for benefits to allow their Social Security payouts and retirement accounts to grow. Many unemployed seniors, faced with the end of paid sick leave and unemployment benefits, may now be filing for Social Security benefits if they have lost and cannot regain their jobs.

TSCL **opposes** the proposal by President Donald Trump to suspend payroll taxes that fund Social Security and Medicare. Currently, these taxes are paid equally by employers (7.65 percent) and employees (7.65 percent). These total payroll taxes of 15.3 percent currently fund both Social Security (12.4 percent), and Medicare (2.9 percent). This proposal would not help the people in the greatest need — those who lost their jobs. It would further erode the financial condition of the already weakened Social Security and Medicare Trust Funds, hastening the day on which Social Security benefits will be reduced to about 76 percent of promised benefits under current law. And lastly, it would contribute to the impending insolvency of Medicare, which some estimate could occur in 2022 or 2023, rather than 2026 as predicted by Medicare's Trustees in April 2020.

TSCL proposes that in a future COVID-19 appropriation, Congress appropriate funds to replenish Social Security trust funds to make up for the lost revenue from the government-mandated shutdown of large sectors of the economy.

II. SOCIAL SECURITY SHOULD PROVIDE A MINIMUM GUARANTEED COLA.

COVID-19 has had many secondary effects — including a reduction in many prices such as oil, and in the Consumer Price Index ("CPI"), which will put the 2021 COLA in jeopardy. Combine that with how the Consumer Price Index is calculated, and this means that it is unlikely that there will be any COLA increase in 2021 for seniors relying on Social Security.

Social Security benefits increased 1.6 percent in 2020. The COLA for 2021 (based on a comparison of the third quarter of 2020 with the third quarter of 2019) that takes effect on January 1, 2020, will be announced in October 2020. It is expected to be lower than 2020 — even zero. There was no COLA paid in 2010, 2011, and 2016, and the COLA in 2017 was just 0.3 percent.

Year	SS COLA[2]
2010	None
2011	None
2012	3.6%[3]
2013	1.7%
2014	1.5%
2015	1.7%

[2] https://www.ssa.gov/OACT/COLA/colaseries.html.

[3] There was no COLA in 2010 or 2011 because the average CPI-W in the third quarters of 2009 and 2010 did not exceed that for the third quarter of 2008. The third quarter CPI-W of 2011 exceeded that for the third quarter of 2008, resulting in a COLA in 2012.

2016	None
2017	0.3%
2018	2.0%
2019	2.8%
2020	1.6%

Moreover, the CPI-W data set does not accurately reflect the price changes experienced by Social Security beneficiaries — as shown in a TSCL White Paper. For years, the government has implemented changes to the way that CPI-W is calculated that tend to measure inflation as growing more slowly than previous methodology would indicate.

The very nature of CPI-W measurement has changed. No longer a measurement of the money necessary to purchase a consistent "market basket" of goods and services, CPI-W is now based on an ever-changing "market basket." This assumes that when prices increase, Social Security recipients faced with price inflation will change their purchasing patterns. No longer able to afford high quality goods, buyers substitute lower quality goods that they can afford. For example, if the price of steak increases due to inflation, the Bureau of Labor Statistics (BLS) assumes people will buy hamburger or chicken.

Economists term this as maintaining a "constant level of satisfaction." The BLS has modified the CPI-W data set so that it no longer measures true price inflation, allowing COLAs which increase only enough to adjust to a lower standard of living. For example, when CPI was reported to have increased 1.7 percent in 2014, it is estimated that the increase would have been 5.2 percent using the methodology that was in place in 1990, and a 9.4 percent increase using the methodology in place in 1980. *See* TSCL White Paper at 21.

In fact, since 2000, seniors relying on Social Security benefits for their retirement have lost 30 percent of their buying power due to a combination of: (i) increased prices for the categories of items seniors purchase and (ii) the below increase COLAs. In short, retiree costs are increasing at a substantially faster pace than the CPI. For example, since 2000, average prescription drug out-of-pocket costs have risen 252 percent.[4] Similarly, Medicare Part B premiums have increased 218 percent. Similarly, there are other categories of expenditures that impact seniors more than the average population, and thus are not reflected in the changes to the CPI-W.

However, during that time, benefits have only been increased by 53 percent, woefully insufficient to maintain the purchasing power over that time. A guaranteed minimum COLA would protect the purchasing power of seniors by making a cost of living adjustment of at least 3 percent, even when the CPI does not reflect a sufficient increase to trigger an automatic COLA or provides for an insufficient COLA. This would bring the changes to Social Security benefits closer to parity with the increase in expenditures that seniors face in the real world.

For the foregoing reasons, TSCL and its members support a guaranteed minimum annual COLA of 3 percent.

---

[4] https://seniorsleague.org/social-security-benefits-lose-30-of-buying-power-since-2000-no-cola-likely-for-2021/.

CONCLUSION

For the reasons herein stated, TSCL asks that the Democratic Party Platform Committee adopt the two proposed resolutions set out above.

Respectfully submitted,

Richard Delaney, Chairman
Thomas A. O'Connell, Vice-Chair
Doug Osborne, Legislative Liaison
Daisy Brown, Secretary
Deborah Oelschig, Treasurer
Phil Hilinski, TREA Liaison

Board of Trustees
The Senior Citizens League